Finance, Resources, Audit and Governance Committee

Friday 10 March 2017

9:30am, Colman Room
South Norfolk House, Cygnet Court, Long Stratton, Norwich, NR15 2XE

If you have any special requirements in order to attend this meeting, please let us know in advance.

Large print version can be made available

Contact Sue Elliott on 01508 533869 or democracy@s-norfolk.gov.uk
Members of the Finance, Resources, Audit and Governance Committee:

Mr P Hardy (Chairman)
Mr T Palmer (Vice-Chairman)
Mr L Dale
Mr W Kemp
Mr T Lewis
Mr R Savage
Mr G Wheatley

This meeting may be filmed, recorded or photographed by the public; however anyone who wishes to do so must inform the chairman and ensure it is done in a non-disruptive and public manner. Please review the Council’s guidance on filming and recording meetings available in the meeting room.
Agenda

1. To report apologies for absence and to identify substitute members;

2. Any items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B(4)(b) of the Local Government Act, 1972. Urgent business may only be taken if, "by reason of special circumstances" (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;

3. To Receive Declarations of Interest from Members; (please see guidance – page 12)

4. To confirm the minutes of the FRAG Committee held on 25 November 2016; (attached – page 13)

5. Early Help Hub audit recommendations - update; (attached – page 18)

6. Certification of Claims and Returns Annual Report 15/16; (attached – page 25)

7. External Audit Plan 16/17; (attached – page 36)

8. Progress Report on Internal Audit Activity; (attached – page 54)

9. Strategic and Annual Internal Audit Plans 2017/18; (attached – page 78)

10. External Quality Assessment of Internal Audit; (attached – page 101)
   (attached – page 118)

12. FRAG Work Programme;  
   (attached – page 123)
Glossary

General Terms

AGS – Annual Governance Statement – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework.

BAD DEBT PROVISION - To take account of the amount of debt which the Council estimates it will not be able to collect.

Build Insight – The Council’s Approved Inspector company, authorised under the Building Act 1984 to carry out building control work in England and Wales.

CIPFA – the Chartered Institute of Public Finance and Accountancy – the accountancy body for public services.

CoCo - Code of Connection – a list of security controls that the Council has to have in place in order to undertake secure transactions with other government bodies.

CNC - a joint venture established with Norwich City Council, Broadland Council and Kings Lynn and West Norfolk Borough Council to deliver the Council’s building control functions, ensuring buildings and developments comply with building regulations.

CNC CS – CNC consultancy services, the private company administered by CNC.

CREDITOR - A person or organisation which the Council owes money to for a service or goods.

CSO – Contract Standing Orders – outline the Council’s rules when entering into contracts and buying large value goods.

GNBD – Greater Norwich Development Partnership – a partnership with Norwich City and Broadland Councils that manages delivery of the Government’s growth strategies.

GNGB – Greater Norwich Growth Board – a partnership with Broadland Council, Norwich City Council, Norfolk County Council and New Anglia Local Enterprise Partnership providing strategic direction, monitoring and coordination of both the City Deal and the wider growth programme for the Greater Norwich area.

JCS – Joint Core Strategy – sets out the general vision and objectives for delivering the local development framework.
JOURNAL - The transfer of a transaction to either a different cost centre or a different categorisation within the finance system e.g. transfer of an item of expenditure between HR and Planning or the transfer of expenditure from electricity to water. These are used to correct input errors, share costs/income between cost centres or to record expenditure or income which has not yet been invoiced.

KPI - Key Performance Indicator

LASAAC – Local Authority (Scotland) Accounts Advisory Committee – this Committee develops proper accounting practice for Scottish Local Authorities

LDF – Local Development Framework - outlines the management of planning in the Council

LEDGER - A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger.

LGA – Local Government Association – a lobbying organisation for local councils

LGPS – Local Government Pension Scheme- Pension Scheme for all public sector employees

LSVT - Large Scale Voluntary Transfer - the transfer of the Council’s housing stock to Saffron Housing Trust

Moving Forward Together – The Council’s internal programme to improve performance in a number of key areas

NFI – National Fraud Initiative – A national exercise to compare data across public sector organisation to aid identifying potential frauds

NHB – New Homes Bonus - grant paid by central government to local councils for increasing the number of homes and their use

NI – National Indicator – a measure used to identify how the Council is performing that is determined by central government

NNDR/NDR – (National) Non-Domestic Rates – commonly known as Business Rates

PI – Performance Indicator – measure used to identify how the Council is performing

PSN – Public Services Network - provides a secure private internet for organisations across Central Government and the Wider Public Sector and standardised ICT infrastructure

RAD - Rent Assisted Deposit scheme.

RFG – Rules of Financial Governance – the Council’s rules governing the day-to-day financial activities undertaken

SLA – Service Level Agreement – an agreement that sets out the terms of reference for when one organisation provides a service to another
MTP – *Medium Term Plan* – sets out the future forecast financial position of the Council

SOLACE – *Society of Local Authority Chief Executives* – society promoting public sector management and development

SPARSE – *Sparsity Partnership for Authorities Delivering Rural Services* – an organisation that benchmarks and supports local rural councils

SUNDARY DEBTOR - A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the council e.g. the Sundry Debtors system which is a module within the financial system.

**Audit Terminology**

APB – *Auditing Practices Board* – the body that sets the standards for auditing in the UK

COUNT – *Count Once, Use Numerous Times* – a system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways

ISA – *International Auditing Standard* – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts

VFM Conclusion – *Value for Money Conclusion* – the Audit Commission are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts.

**Accounting Terminology**

BRRS – *Business Rates Retention Scheme* - provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)

CFR – *Capital Financing Requirement* – a calculated figure that establishes the amount of money the Council needs to borrow

Collection Fund – a separate account statement that records the transactions relating to the collection and redistribution of council tax and business rates

GAAP – *Generally Accepted Accounting Practice* – this provides the overall framework for accounting principles prior to IFRS adoption in local government (also “UK GAAP” – specific to the United Kingdom)

IAS – *International Accounting Standards* – these were the precursors for international financial reporting standards (see below).

IPSAS – *International Public Sector Accounting Standards* – these set out the accounting standards for public sector bodies, and are based on the international financial reporting standards.

MRP – *Minimum Revenue Provision* – the amount of money the Council needs to set aside each year to fund activities from revenue balances

**Non-current assets** – assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)

RSG – *Revenue Support Grant* - one source of Council funding from Central Government

SeRCOP – *Service Reporting Code of Practice* – outlines how Council should classify income and expenditure across different services

SSAP – *Statement of Standard Accounting Practice* – preceded the financial reporting standards in the UK

The Code – *Code of Practice on Local Authority Accounting in the UK* – main guidance on accounting treatment required for the statement of accounts

Virement – The process of transferring a sum of money from one part of the Council’s budget to another, subject to appropriate approval.

WGA – *Whole of Government Accounts* – an exercise undertaken to consolidate all the accounting records of government bodies

**International Accounting and Financial Reporting Standards Reference Numbers**

**IAS1** – *Presentation of Financial Statements* – sets out the prescribed format for statements of accounts

**IAS19** – *Employee Benefits* – essentially provides the basis for accounting for the pension fund

**IAS20** – *Accounting for Government Grants* – establishes the accounting treatment for receiving government grants

**IAS40** – *Investment Property* – how organisations should account for properties held as an investment

**IPSAS16** – *Investment Property* – how public sector organisations should account for properties held as an investment

**IPSAS23** – *Revenue from non-exchange transactions (taxes and transfers)* – this determines how monies from taxes should be treated in the accounts
**Council Systems**

**ALBACS CS** – The Council's system to make payments to other organisations

**AXIS** - Income receiving system which interacts directly with Integra

**Clubrunner** – System used to manage bookings and activities at the leisure centres

**eXpress** – the electoral registration system

**FAM** – the system used by the accountancy team to record the Council’s assets and associated transactions

**IBS** – the Revenues system, maintains all Council Tax, Business Rates and Benefits records

**IDOX Uniform** – IT platform covering Planning, Building Control, Environmental Services, Land Charges, Licensing, Estates, Street Naming and Numbering and Address Gazetteer.

**Integra** – general ledger used to record all accounting transactions, including purchases made by the Council and income received by the Council

**LALPAC** – system used to record licensing details
Working Style of Cabinet Policy Committees

Member Leadership
Members of the Committees will take the lead in understanding the direction provided by Cabinet and delivering work to Cabinet requirements. Whilst recognising political allegiances, members will work in a collaborative manner with officers and cabinet portfolio holders to consider the relevant issues when developing Council policy.

Collaborative Working
All meetings of the Committees will be constructive and conducted in a spirit of mutual respect and trust. Officers will commit to supplying meetings with information relevant to making informed decisions on policies and matters. Members will commit to thoroughly reading and understanding papers, raising questions that are pertinent to the issues at stake. Members will, where feasible, agree definable actions to be taken forward by officers to develop policy, rather than having items for noting or simply to discuss.

Frequency and Nature of Meeting
Each Committee will have at least 3 formal, public meetings per year. In assessing items delegated by Cabinet for review, the Committee may decide that it wishes to meet on a more or less frequent basis.

The Committee may also hold informal meetings should it require in order to progress specific items in detail. However, if the Committee is meeting to determine whether to refer items for Cabinet approval, the meeting should follow the Council’s Standing Orders and thus be subject to a formal agenda, be held in public and the meeting recorded.

Informal meetings may be held in any manner suitable for conducting business (e.g. via meeting, conference call, circulation of information via e-mail, or site visits); while relevant information will be supplied by officers where appropriate, these meetings will not be subject to a formal agenda or minutes. Where business of the Committee is undertaken through informal meeting, all members of the Committee will be provided opportunity to participate. Members will expect to be able to participate in a free and frank exchange of views when deliberating subjects.

Training
Members commit to undertaking development – for example, attending formal training sessions, or reading relevant background material, in order to properly equip themselves to deliver their expected role fully.

Accountability
The Policy Committees will be accountable to Cabinet. They will not be able to make decisions themselves, but can recommend decisions to Cabinet. Cabinet may review whether the Committees are discharging their duties effectively, and may receive progress reports on how the Policy Committee is working to discharge its duties.
Work Programmes
The Work Programmes for the Policy Committee will be established by Cabinet. Members of the Committee will not be able to raise items to be included in the work programme. Where topics have been identified for inclusion in the work programme, the Committee will work to identify how it will discharge its responsibilities, including the resources required to do so.

Managing Time
However the Committee is meeting, it will attempt to conclude the business of each meeting in reasonable time. The Chairman will be responsible for ensuring the meeting stays focused on pertinent issue, and does not become side-tracked on issues that are not relevant to the policy under consideration, or those that should be discussed by a separate committee.
DECLARATIONS OF INTEREST AT MEETINGS

Members are asked to declare any interests they have in the meeting. Members are required to identify the nature of the interest and the agenda item to which it relates.

- In the case of other interests, the member may speak and vote on the matter.
- If it is a pecuniary interest, the member must withdraw from the meeting when it is discussed.
- If it affects or relates to a pecuniary interest the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting.
- Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.
- In any case, members have the right to remove themselves from the meeting or the voting if they consider, in the circumstances, it is appropriate to do so.

Should Members have any concerns relating to interests they have, they are encouraged to contact the Monitoring Officer (or Deputy) or another member of the Democratic Services Team in advance of the meeting.
FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk Council held at South Norfolk House, Long Stratton, on Friday 25 November 2016 at 9.30 am.

Committee Members Present: Councillors: P Hardy (Chairman), L Dale, W Kemp, T Lewis, T Palmer, R Savage and G Wheatley

Cabinet Member in Attendance: Councillor: M Edney

Officers in Attendance: The Director of Business Development (D Lorimer), the Head of Finance & HR (P Catchpole), the Accountancy Manager (M Fernandez-Graham), the Property Manager (R Garfoot), the Support & Innovation Manager (K Woodhouse), and the Children’s Services Team Manager (L Downes)

Others Present: Kevin Suter (Ernst Young)

127 MINUTES

The minutes of the meeting held on 28 July 2016 were confirmed as a correct record and signed by the Chairman.

128 WELCOME

The Chairman welcomed Kevin Suter to the meeting and introduced the new Head of Finance and HR, Peter Catchpole, to the Committee.
129 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Director of Business Development presented the Progress Report on Internal Audit Activity during the period between 1 April and 15 November 2016, summarising the eight completed audits undertaken. Members noted that 60% of the Audit Plan had been completed and that seven of the eight areas covered had been awarded a reasonable assurance with the eighth receiving a limited assurance.

Following a brief discussion, it was

RESOLVED: To note the outcomes of the eight completed audits in the period covered by the report, and the position of the (revised) Internal Audit Plan for 2016/17.

130 INTERNAL AUDIT FOLLOW UP REPORT

The Director of Business Development presented the Committee with a report which detailed the progress made in relation to the Council’s implementation of the agreed audit recommendations falling due by 31 October 2016.

Members were advised that, as at the date of the report, no management responses had been received in relation to eight recommendations made regarding the audit review of the Help Hub, which had received a limited assurance. However, an updated paper was tabled at the meeting which sought to inform the Committee of the management responses and the current position regarding these recommendations. The Children’s Services Team Manager summarised the updated paper, reassuring members that four of the eight recommendations had been completed and that work was being undertaken to resolve the remaining four, as detailed in the paper. It was suggested and agreed that the Early Help and Prevention Manager be invited to attend the next meeting of the Finance, Regulation, Audit and Governance Committee in March 2017 to update members on these items.

In response to a member’s query regarding the outcomes of the audit, officers advised that they had found it a helpful process which had reinforced that best practices were in place and were being adhered to.

The Committee discussed the costs and benefits of the Help Hub and agreed that although the costs of the Hub were included in the Council’s budget, it was difficult to quantify the benefits to residents and savings made to the Council and its partners due to early intervention. Members noted that the Treasury Green Book model might demonstrate this more effectively and that the Hub could provide many examples of how future costs had been avoided due to their intervention.
Members discussed the objectives of the Help Hub and were reassured by officers that the procedures, aims and objectives were clearly documented and that the South Norfolk model was providing a good steer to other councils.

In response to a member’s question regarding data sharing within the Help Hub, the Committee was reassured that customers of the Hub were asked to sign a consent statement when registering for the service, which would allow partners to share information to provide the best solution for each case.

Following a brief discussion, it was noted that an article regarding the role of the Community Connectors would be included in the next Members’ Bulletin.

It was then

**RESOLVED:** To note the position in relation to the completion of agreed audit recommendations as at 31 October 2016.

### 131 ANNUAL AUDIT LETTER

Kevin Suter from Ernst & Young presented the Annual Audit Letter, explaining that it was a summary of all audit work carried out during the year, and he advised members that an unqualified audit opinion had been awarded. Members were pleased to note that the audit had been completed almost two months in advance of the statutory guidelines, even though it was the first year that the Council’s groups had been included in the audit.

It was then:

**RESOLVED:** To note the Annual Audit Letter.
132 ASSET MANAGEMENT PLAN 2017

The Property Manager presented the Asset Management Plan for 2017 and requested that members provide feedback on the new draft document. Members were advised that the current Plan had been reviewed and rewritten since its adoption by Cabinet in 2014, and now incorporated changes to the Council’s assets, as detailed in the report.

In response to a member’s question, officers agreed that the eight public toilets owned by the Council would be added to the Plan and it was also agreed that the Plan would reference that, once refurbished, the public toilets at Harleston would be leased to Harleston Town Council.

Members briefly discussed various points contained within the Plan, including the potential that up-front costs for letting out properties might be passed to landlords, the plans for the Council’s land at Park Road in Diss, and various matters at South Norfolk House, including the office ceiling and hot-desking.

It was noted that officers would present the Commercial and Residential Strategies to the Finance, Regulation, Audit and Governance Committee at its next meeting on 10 March 2017, following which, all documents would be presented to Cabinet for adoption in 2017.

The Committee suggested a few minor grammatical changes to the Plan, after which it was:

RESOLVED: To support the draft Asset Management Plan, subject to the above comments and minor amendments, prior to its presentation to Cabinet in 2017.

133 REVIEW OF THE LOCAL GOVERNMENT OMBUDSMAN REPORT 2016

The Support and Innovation Manager presented her report which sought to advise members of the Council’s approach to dealing with complaints, including those which had been referred to the Local Government Ombudsman (LGO) in 2016.

Members were pleased to note that the cases referred to the LGO for South Norfolk were relatively small compared with those of other district councils in the area, and that SNC officers were constantly striving to improve the Council’s services and to learn from complaints, where possible. It was suggested and agreed that a review of the LGO Report should be brought annually to the Finance, Regulation, Audit and Governance Committee.
It was then:

RESOLVED: To note the contents of the report and add it as a standing item to the work programme of the Finance, Regulation, Audit and Governance Committee.

134 FINANCE, RESOURCES, AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

Members noted the Finance, Resources, Audit & Governance Committee’s Work Programme, with the addition of the Review of the Local Government Ombudsman Report as a standing item, as detailed above.

The meeting concluded at 11.00 am

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Chairman
Finance, Resources, Audit and Governance Committee
10 March 2017

Agenda Item 5

Early Help Hub audit recommendations - update

Report of the Internal Audit Consortium Manager
Cabinet Member: Councillor Edney

CONTACT
Emma Hodds 01508 53791
ehodds@s-norfolk.gov.uk
1. Introduction

1.1 The purpose of the report is to update the Committee as to the progress made in the implementation of the audit recommendations raised within the Early Help Hub audit, as requested by Members at the November meeting.

2. Background

2.1 An internal audit was concluded on the Early Help Hub in July 2016, awarding a limited assurance and raising 13 recommendations. The executive summary of the report was provided to Committee in November 2016 as part of the progress report and at the same meeting a follow up report concluded on progress made against agreed audit recommendations.

2.2 The follow up report highlighted that five of the recommendations had been addressed and closed, however no response had been received from management regarding the remaining eight. At the meeting the Children's Services Team Manager updated the Committee on these recommendations resulting in a further four being closed and four remaining outstanding, with revised dates provided.

3. Current Position/Findings

3.1 Appendix One to this report provides the management response for all 13 recommendations, and it can be seen that one remains outstanding, and all other recommendations have been appropriately actioned by management.

3.2 The remaining outstanding recommendation (number nine) was to: To commence obtaining and formally documenting user and partner feedback regarding the service which is reported to the Early Help Improvement Board as part of the locality updates. Outcomes from feedback to be used to improve service delivery, where necessary.

The latest response from management is: This recommendation has been incorporated into the proposed measures which will be taken forward by the Early Help Strategic Board. Feedback from all family support plans is gained from the family and logged. A
work stream has started about how we use technology to get feedback from customers. This will incorporate social media. Proposed revised deadline of the 30\textsuperscript{th} September 2017.

3.4 The next update to Committee will be as part of the usual follow up report, due to be received in June 2017.

4. Recommendation

4.1 The Committee are requested to note the updated position in relation to the implementation of the audit recommendations raised within the Early Help Hub review.
<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Recommendation</th>
<th>Priority</th>
<th>Management Response</th>
<th>Responsible Officer</th>
<th>Due Date</th>
<th>Revised Due Date</th>
<th>Status</th>
<th>Latest Response</th>
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<tbody>
<tr>
<td>SNC1702 Early Help Hub</td>
<td>Recommendation 1 - The request form be fully completed including ‘responding practitioner’, ‘further action required’, and ‘outcome summary’. Outcome summary and further action required sections be initialled by the relevant staff member and include confirmation that the case is complete in terms of the South Norfolk DC Early Help Hub involvement. In addition, clients to confirm on the request form whether or not they wish their information to be shared with other organisations. (linked with recommendation 8)</td>
<td>2</td>
<td>Agree with recommendation. We have been providing ongoing training and support to staff to fully complete the request for support form which has improved completing of the form. The new online form will make the form easier to complete.</td>
<td>Early Help Facilitator</td>
<td>31/07/2016</td>
<td>31/07/2016</td>
<td>Closed</td>
<td>The Request for Support form has been amended to prompt staff to complete relevant sections and for clients to agree to information sharing. Further training in completing the form will be delivered at upcoming Early Help team meetings and ongoing support will also be offered.</td>
</tr>
<tr>
<td>SNC1702 Early Help Hub</td>
<td>Recommendation 2 - To produce written guidance/procedures for the Early Help Hub process including; how the receipt of information is to be processed &amp; managed, how this information is to be sent to the relevant partner and how it is to be followed up. As part of this work the team are also to include the use of UNIFORM and how this fits into the overall processes.</td>
<td>2</td>
<td>Agree with recommendation Original guidance in place which needs updating to reflect use of UNIFORM and the increase of calls and request for support the Hub is receiving.</td>
<td>Early Help and Prevention Manager</td>
<td>30/09/2016</td>
<td>30/01/2017</td>
<td>Closed</td>
<td>M Pursehouse - Criteria and procedures have been created and agreed with partners. E Hodds - evidence provided and recommendation to be closed.</td>
</tr>
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<td>SNC1702 Early Help Hub</td>
<td>Recommendation 3 - To obtain signed co-location agreements for all Help Early Help Hub practitioners that have not currently signed (the agreement).</td>
<td>2</td>
<td>Agree with recommendation.</td>
<td>Early Help Facilitator</td>
<td>31/07/2016</td>
<td>30/09/2016</td>
<td>Closed</td>
<td>The Early Help Facilitator advised that there is now a system in place to request Co-location agreements to be signed every 6 months, monitored through spreadsheet. All signed agreements are saved electronically in individually named folders. I also set review reminders in my diary.</td>
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<td>SNC1702 Early Help Hub</td>
<td>Recommendation 4 - To ensure an up to date Data Exchange Agreement for the South Norfolk Early Help Hub exists which is based on the data exchange template located in the Norfolk Information Sharing Protocol (NISP). This agreement to be retained by the Early Help Hub.</td>
<td>2</td>
<td>Agree with recommendation.</td>
<td>Early Help and Prevention Manager</td>
<td>31/08/2016</td>
<td>31/08/2016</td>
<td>Closed</td>
<td>M Pursehouse - South Norfolk Early Help Hub fall under the Norfolk Information Sharing protocol and Norfolk early help and family focus data exchange agreement. E Hodds - evidence provided and recommendation closed.</td>
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<tr>
<td>Recommendation</td>
<td>Details</td>
<td>Action</td>
<td>Date</td>
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<td>SNC1702 Early Help Hub Recommendation 5</td>
<td>To obtain separate confirmation from all partner organisations that they have read, and will comply with, the SNC Data Protection Policy.</td>
<td>Agree with recommendation.</td>
<td>Early Help Facilitator</td>
<td>31/08/2016</td>
<td>31/08/2016</td>
<td>Closed</td>
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<td>SNC1702 Early Help Hub Recommendation 6</td>
<td>The current (and previous) governance arrangements to be reviewed to ensure that the TOR are fit for purpose, that there are appropriate links between the group, that decisions are made at the right level and that local issues are sufficiently discussed. This may involve consideration of a local steering group or locality board.</td>
<td>Agree with recommendation. The governance structure for early help will form part of the wider review of ensuring oversight and accountability for health and social care.</td>
<td>Early Help and Prevention Manager</td>
<td>30/09/2016</td>
<td>30/09/2016</td>
<td>Closed</td>
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<td>SNC1702 Early Help Hub Recommendation 7</td>
<td>A review of the service is undertaken to demonstrate outcomes for the customers, ensure there is clear information that highlights the cost and value of the service and recognises potential savings across the Early Help Partners (Treasury Green Book costing model has been suggested by SLT) in addition to high level data on sources/types of requests for support</td>
<td>Agree with recommendation. An early help review is currently underway to assess how early help is integrating services and the impact it is having on residents.</td>
<td>Early Help and Prevention Manager</td>
<td>30/09/2016</td>
<td>16/12/2016</td>
<td>Closed</td>
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The Early Help Facilitator advised that confirmation sheets have been received and retained from partner organisations of compliance with the SNC data protection policy. As requested, I have added a para to the co-location agreement around the SNC DP agreement to ensure that we capture this going forward (please see attached additional paras in yellow). I continue to ask new employees to sign that they have seen and will comply with the SNC data protection policy.

IA: This recommendation will be closed as implemented based on managements response and evidence of implementation provided.

The Early Help and Prevention Manager advised that a new governance model is in place and agreed at the early help Executive meeting held on 20th September 2016.

IA: This will be closed as implemented based on response and evidence of implementation provided.

The Early Help strategic Board has agreed a new set of proxy indicators to demonstrate the success of early help (attached). The early help locality board will now work on targets for the forthcoming year. These indicators reflect the key areas of support for families, older and vulnerable people including social and physical wellbeing, employment, housing and independent living. These measures will be reported back to the strategic board every six month to review.
<p>| SNC1702 Early Help Hub | Recommendation 8 - To include the following elements in the ongoing review of the Early Help request form and the finalisation of the Uniform module: all relevant sections of the request form should be included and the outcome summary should explicitly state if the case is completed &amp; the corresponding date; The ‘Further action required’ and ‘outcome summary’ sections should be initialed/signed; The section asking if there are any organisations that the client does not want information to be shared with should still be completed even if there are none (i.e. completed with ‘none’ or equivalent); Date and details of triage meetings and staff member logging the form to be added to the request form template; Phone conversations should be recorded on file; Organisations should inform the Early Help Hub of request outcomes and; A process whereby the original referrer is notified that the request has been actioned. A prompt could be added to the request form template to trigger certain actions to be carried out by the users. (linked with recommendation 2) NB: The risk assessment to be undertaken in recommendation 12 will also address these issues. | 3 Agree with recommendation. (As per point 1) | Early Help Facilitator | 30/09/2016 | 30/09/2016 | Closed | the Early Help Facilitator advised that the Request for Support form has been amended - The amendments/new sections include: Triage meeting outcomes/decisions - have also included an action completed section to assist with keeping track All sections now have a reminder prompt to date and sign each entry There is now a date closed to the hub section with outcome summary We have asked Practitioners to write none etc. in the consent box if appropriate There is a section whereby the hub duty worker is to contact the referrer to advise of triage outcome IA: This is to be closed as implemented based on management response and evidence provided. |
| SNC1702 Early Help Hub | Recommendation 9 - To commence obtaining and formally documenting user and partner feedback regarding the service which is reported to the Early Help Improvement Board as part of the locality updates. Outcomes from feedback to be used to improve service delivery, where necessary. | 3 Agree with recommendation. We will explore how we use digital transformation to make feedback user friendly and efficient. | Early Help and Prevention Manager | 30/09/2016 | 30/09/2016 | Outstanding | M Pursehouse - This recommendation has been incorporated into the proposed measures which will be taken forward by the Early Help Strategic Board. Feedback from all family support plans is gained from the family and logged. A work stream has started about how we use technology to get feedback from customers. This will incorporate social media. Revised deadline 30 September 2017 |
| SNC1702 Early Help Hub | Recommendation 10 - To fully populate the partner contact list with approved named individuals from all participating organisations. | 3 Agree with recommendation. | Early Help Facilitator | 31/08/2016 | 31/08/2016 | Closed | The Early Help Facilitator advised that this contact list has been updated. IA: This will be closed as implemented based on the response and evidence provided. |</p>
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Action</th>
<th>Date</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation 11 - To review the Co-location agreement multi-agency co-location, and information sharing and Data Exchange Agreement so that it adequately takes in to account the requirements within the SNC ICT Policies, particularly the Individual User Responsibilities (ITU-10010) policy document. This review should be undertaken in conjunction with the Norfolk Information sharing protocol.</td>
<td>Agree with recommendation.</td>
<td>Early Help and Prevention Manager</td>
<td>30/09/2016</td>
<td>30/09/2016</td>
</tr>
<tr>
<td>Recommendation 12 - To undertake a risk assessment of the Early Help Hub which, identifies all risks that could prevent the objectives of the Early Help Hub from being achieved.</td>
<td>Agree with recommendation. This will form part of the early help review.</td>
<td>Early Help and Prevention Manager</td>
<td>30/09/2016</td>
<td>30/09/2016</td>
</tr>
<tr>
<td>Recommendation 13 - To regularly update the Action Plan with current progress and provide this update to the South Norfolk Early Help Executive Group.</td>
<td>Agree with recommendation.</td>
<td>Early Help and Prevention Manager</td>
<td>31/08/2016</td>
<td>31/08/2016</td>
</tr>
</tbody>
</table>

Early Help and Prevention Manager advised that this has been completed and evidence signed off on 3rd November. All staff within the hub comply with the information sharing agreement and SNC ICT policy.

IA: This will be closed as implemented based on management's response.

M Pursehouse - Early Help Hub has been added to the corporate risk register at SNC and any identified risks will be mitigated through a further risk assessment. E Hodds - Agree to close recommendation.

The Early Help and Prevention Manager advised that the Early Help Executive group was updated in Sept 2016 and a new Strategic Board and Locality Board have been put in place to monitor plans. The first locality board meets in December, the strategic board which will have the Chief Executive on, meets in January.
Certification of Claims and Returns Annual Report 2015/16

Report of the Accountancy Manager
Cabinet Member: (Michael Edney – Finance and Resources)

CONTACT
Matthew Fernandez-Graham
01508 533915
mgraham@s-norfolk.gov.uk
1. Introduction

1.1 EY as the Council’s External Auditors are responsible for the audit of the Housing Benefit subsidy claim.

1.2 The annual report from EY is attached in Appendix A. Section 1 on page 1 of the appendix outlines the work undertaken by EY. The work on the Housing Benefit subsidy claim is carried out in accordance with the requirements of the Department of Work and Pensions (DWP) which stipulates the level of testing to be carried out.

1.3 The original value of the Housing Benefit subsidy claim was £27,315,066 and this was reduced by £1,723 following audit amendments. As outlined in the appendix, there were amendments required to the claim in respect of 4 cases.

2. Background

2.1 There are currently just under 5,900 live housing benefit cases being dealt with by the Council.

2.2 There were errors identified through the audit work. There were 3 cases of incorrect classification of overpayments as claimant error rather than authority error. There was one case where the overpayment had been understated due to the incorrect treatment of non-dependent deductions on the claim. The four errors identified required an amendment to the 2015/16 claim resulting in a net reduction of £1,723 in the claim. An amended claim was submitted to the DWP and accepted. There was also a difference of £4,150 between the benefit granted figure calculated by the CIVICA system and the actual benefit paid figure used in the claim due to manual amendments to improve the accuracy of the claim.

2.3 Although the auditors had to issue a qualification letter to the DWP, with an extrapolated error figure based on the 4 cases identified above, no further amendments to the claim were required by DWP, therefore the total claim for 2015/16 stands at £27,313,343. No staff training issues were identified.

2.4 The 4 overpayments identified through audit testing are being followed up through the Council’s standard recovery procedures so that the loss to the Council can be reduced from the figure of £1,723.
The cost of the certification work was £14,236 for 2015/16 which was a reduction of £2,000 compared to the indicative fees that had been determined by Public Sector Audit Appointments Limited (PSAA), as initial and extended testing was carried out by Council officers under guidance from EY and was of a high standard and quality. This was itself reduced from the 2014/15 fee of £26,500.

3. Conclusion

3.1 The certification work for the Housing Benefit subsidy grant claim identified 4 errors requiring a reduction of £1,723 to the claim.

3.2 The cost of the certification work was reduced by £2,000 due to the high quality of work being done by Council officers under guidance from EY.

4. Recommendations

4.1 It is recommended that the Committee note the attached report in Appendix A on the certification of the Housing Benefit subsidy claim for 2015/16.
Certification of claims and returns annual report 2015-16

South Norfolk District Council

17 January 2017

Ernst & Young LLP
17 January 2017

Dear Members

Certification of claims and returns annual report 2015-16
South Norfolk District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on South Norfolk District Council’s 2015-16 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015/16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015/16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £27,315,066. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA’s website (www.psaa.co.uk).
We welcome the opportunity to discuss the contents of this report with you at the 10 March 2017 Committee.

Yours faithfully

Kevin Suter  
Executive Director  
Ernst & Young LLP  
Enc
Contents

1. Housing benefits subsidy claim................................................................. 1
2. 2015-16 certification fees........................................................................... 2
3. Looking forward......................................................................................... 3
1. **Housing benefits subsidy claim**

<table>
<thead>
<tr>
<th>Scope of work</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of claim presented for certification</td>
<td>£27,315,066</td>
</tr>
<tr>
<td>Amended/Not amended</td>
<td>Amended – subsidy reduced by £1,723</td>
</tr>
<tr>
<td>Qualification letter</td>
<td>Yes</td>
</tr>
<tr>
<td>Fee – 2015-16</td>
<td>£14,236</td>
</tr>
<tr>
<td>Fee – 2014-15</td>
<td>£26,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommendations from 2014-15</th>
<th>Findings in 2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>N/a</td>
</tr>
</tbody>
</table>

Local Government administers the Government’s housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive ‘40+’ or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years’ claims. We found errors and carried out the following extended testing.

In our 2014/15 qualification letter, we reported that testing of the 40+ sample in Rent Allowances identified cases where the authority had incorrectly classified overpaid benefit in the prior year as eligible overpayments. As part of our audit work undertaken on the 2015/16 subsidy claim, all claims in prior year eligible overpayments were identified and 40+ testing undertaken identifying the following errors;

- 1 case where the overpayment had been understated due to the incorrect treatment of the non-dependent deductions on the claim resulting in an underpayment of benefit; and

- 3 cases where the overpayment had been misclassified as eligible overpayments instead of LA error.

We reported an extrapolated value of these errors of £33,078, in a qualification letter. The DWP will decide whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid.

Our testing also identified that the council uses the Civica benefits system which provides a method for the council to reconcile benefit granted to benefit paid. For South Norfolk DC the benefit granted figure for Rent Allowances in the claim form and the benefit paid figure used in the reconciliation differed by £4,150. This was due to a review of individual cells in the claim by the Council and subsequent manual amendment to the claim. In line with guidance we were required to report the difference to DWP in the qualification letter.
2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

<table>
<thead>
<tr>
<th>Claim or return</th>
<th>2015-16 Actual fee £</th>
<th>2015-16 Indicative fee £</th>
<th>2014-15 Actual fee £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing benefits subsidy claim</td>
<td>£14,236</td>
<td>£16,236</td>
<td>£26,500</td>
</tr>
</tbody>
</table>

The indicative fee for 2015/16 was based on the actual fee for 2013/14 with a 25% reduction in scale fee.

For 2015/16 the level of error identified was similar to that identified in 2013/14. As was the case in 2013/14 the Authority undertook both the initial and extended testing, this being the third year of the Authority performing this testing. The high standard and quality of the initial and 40+ testing as a comparison to 2013/14 has resulted in the reduction of the fee by £2,000, which is still to be confirmed with the PSAA.
3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council’s indicative certification fee for 2016/17 is £19,875. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015/16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014/15.

Details of individual indicative fees are available at the following web address: http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Council before seeking any such variation.

PSAA is currently consulting on the 2017/18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018/19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.
South Norfolk District Council
Year ending 31 March 2017
Audit Plan
February 2017

Ernst & Young LLP
Finance, Resources, Audit and Governance Committee
South Norfolk District Council
South Norfolk House
Swan Lane
Long Stratton
Norfolk
NR15 2XE

6 February 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Finance, Resources, Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office’s 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee’s service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 10 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

Executive Director
For and behalf of Ernst & Young LLP
Enc
In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment from 1 April 2015" issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Finance, Resources, Audit and Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.
1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

► Our audit opinion on whether the financial statements of South Norfolk District Council (the Council) give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;

► Our conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council’s Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

► Strategic, operational and financial risks relevant to the financial statements;

► Developments in financial reporting and auditing standards;

► The quality of systems and processes;

► Changes in the business and regulatory environment; and,

► Management’s views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.
2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council’s operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

<table>
<thead>
<tr>
<th>Significant risks (including fraud risks)</th>
<th>Our audit approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk of fraud in revenue recognition</strong></td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</td>
<td>▶ Testing additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure; and.</td>
</tr>
<tr>
<td>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</td>
<td>▶ Testing the appropriateness of journals entries moving expenditure items from revenue codes to capital codes.</td>
</tr>
<tr>
<td>One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council’s Capital programme.</td>
<td></td>
</tr>
<tr>
<td><strong>Risk of management override</strong></td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</td>
<td>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</td>
</tr>
<tr>
<td></td>
<td>▶ Reviewing accounting estimates for evidence of management bias; and</td>
</tr>
<tr>
<td></td>
<td>▶ Evaluating the business rationale for significant unusual transactions.</td>
</tr>
<tr>
<td><strong>Other financial statement risks</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Pensions Liability – IAS19</strong></td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</td>
<td>▶ Liaising with the auditors of the administering authority, to obtain assurances over the information supplied to the actuary in relation to South Norfolk District Council.</td>
</tr>
<tr>
<td>The Council’s current pension fund deficit is a highly material item and the Code requires that this liability be disclosed on the Council’s Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the administering body.</td>
<td>▶ Performing procedures to review the information produced by the pension fund actuary, including assessing the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC.</td>
</tr>
<tr>
<td>As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.</td>
<td>▶ Reviewing and testing the accounting entries and disclosures made within the Council’s financial statements in relation to IAS19.</td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment valuation</strong></td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td>The Council considers the appropriateness of asset valuations each year. These are material estimated figures within the financial statements.</td>
<td>▶ Reviewing the information provided to the Valuer.</td>
</tr>
<tr>
<td></td>
<td>▶ Undertaking procedures to ensure we can rely on the Valuer as management’s expert.</td>
</tr>
<tr>
<td></td>
<td>▶ Reviewing the figures provided by the Valuer to ensure they are reasonable.</td>
</tr>
</tbody>
</table>
Financial statement risks

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new ‘Expenditure and Funding Analysis’ note as a result of the ‘Telling the Story’ review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council’s segmental analysis.

This change in the code will require a new structure for the primary statements of the Councils single entity accounts along with the Councils consolidated group accounts with Big Sky Ventures companies, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

Our Approach will focus on:

► Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code;
► Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council’s organisational structure and how overheads are apportioned across the service areas reported; and
► Agreement of restated comparative figures back to the Council’s segmental analysis and supporting working papers.
► The classification of consolidated group balances within the group CIES and new notes to ensure disclosures are in line with the code.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

► Identifying fraud risks during the planning stages;
► Enquiry of management about risks of fraud and the controls to address those risks;
► Understanding the oversight given by those charged with governance of management’s processes over fraud;
► Consideration of the effectiveness of management’s controls designed to address the risk of fraud;
► Determining an appropriate strategy to address any identified risks of fraud, and,
► Performing mandatory procedures regardless of specifically identified risks.
3. **Value for money risks**

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

For 2016/17 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following VFM risks which we view as relevant to our value for money conclusion.

This has not identified any risks which we view as relevant to our value for money conclusion at this stage of our audit.
4. **Our audit process and strategy**

4.1 **Objective and scope of our audit**

Under the Code of Audit Practice our principal objectives are to review and report on the Council’s:

- Financial statements
- Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

   Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

   We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

   Alongside our audit report, we also:

   - Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

   We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

4.2 **Audit process overview**

To the fullest extent permissible by auditing standards, we intend to consider internal audit’s work in documenting your financial systems and controls. This will enable us to more efficiently update our understanding of your systems and carry out the walkthrough of those systems as required under auditing standards. Our intention is to carry out a fully substantive audit in 2016/17 rather than rely on the operation of controls as we believe this to be a more efficient approach.

**Analytics**

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Finance, Resources, Audit and Governance Committee.
Our audit process and strategy

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions</td>
<td>► EY Pensions Advisory;</td>
</tr>
<tr>
<td></td>
<td>► PwC (Consulting Actuary to the PSAA) and</td>
</tr>
<tr>
<td></td>
<td>► Hymans Robertson (Norfolk Pension Fund actuary)</td>
</tr>
<tr>
<td>Property, Plant and Equipment and</td>
<td>► Wilks, Head and Eve LLP (the Council’s property</td>
</tr>
<tr>
<td>Investment Property</td>
<td>advisor)</td>
</tr>
</tbody>
</table>

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

► Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;

► Assess the reasonableness of the assumptions and methods used;

► Consider the appropriateness of the timing of when the specialist carried out the work; and

► Assess whether the substance of the specialist’s findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

► Addressing the risk of fraud and error;

► Significant disclosures included in the financial statements;

► Entity-wide controls;

► Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
Our audit process and strategy

► Auditor independence.

Procedures required by the Code
► Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
► Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1.24 million based on 2% of gross expenditure on the provision of services. Materiality of the Group is set on the same basis at £1.28 million. We will communicate uncorrected audit misstatements greater than £0.06 million to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 How materiality is applied to the component entities

We determine component materiality as a percentage of Group materiality based on risk and relative size to the Group. The component reporting limit for adjustments of £0.08 million is the same as that noted above.

4.6 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of South Norfolk District Council is £50,949.

4.7 Your audit team

The engagement team is led by Kevin Suter, who has significant experience on district council audits. Kevin is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the Accountancy Manager.

4.8 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Finance, Resources, Audit and Governance Committee’s cycle in 2016/17. These dates are determined to ensure our alignment with PSAA’s rolling calendar of deadlines.
From time to time matters may arise that require immediate communication with the Finance, Resources, Audit and Governance Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

<table>
<thead>
<tr>
<th>Audit phase</th>
<th>Timetable</th>
<th>Finance, Resources, Audit and Governance Committee timetable</th>
<th>Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level planning</td>
<td>December to January 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk assessment and setting of scopes</td>
<td>January – February 2017</td>
<td>March 2017</td>
<td>Audit Plan</td>
</tr>
<tr>
<td>Review of routine processes and controls</td>
<td>February – March 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year-end audit</td>
<td>June – July 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completion of audit</td>
<td>July 2017</td>
<td>July 2017</td>
<td>Report to those charged with governance via the Audit Results Report</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>► Audit report (including our opinion on the financial statements; and overall value for money conclusion).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>► Audit completion certificate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>► Reporting to the NAO on the Whole of Government Accounts return.</td>
</tr>
<tr>
<td>Conclusion of reporting</td>
<td>October 2017</td>
<td>November 2017</td>
<td>Annual Audit Letter</td>
</tr>
</tbody>
</table>

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.
5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

<table>
<thead>
<tr>
<th>Planning stage</th>
<th>Final stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>► The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</td>
<td>► A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</td>
</tr>
<tr>
<td>► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</td>
<td>► Details of non-audit services provided and the fees charged in relation thereto;</td>
</tr>
<tr>
<td>► The overall assessment of threats and safeguards;</td>
<td>► Written confirmation that we are independent;</td>
</tr>
<tr>
<td>► Information about the general policies and process within EY to maintain objectivity and independence.</td>
<td>► Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</td>
</tr>
<tr>
<td></td>
<td>► An opportunity to discuss auditor independence issues.</td>
</tr>
</tbody>
</table>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.
We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

**Self-review threats**

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

**Management threats**

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work. There are no management threats at the date of this report.

**Other threats**

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

**Overall Assessment**

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, the audit engagement Executive Director and the audit engagement team have not been compromised.

**5.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

Appendix A  Fees

A breakdown of our agreed fee is shown below.

<table>
<thead>
<tr>
<th></th>
<th>Planned Fee 2016/17 £’s</th>
<th>Scale fee 2016/17 £’s</th>
<th>Outturn fee 2015/16 £’s</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opinion Audit and VFM Conclusion</td>
<td>54,692</td>
<td>50,949</td>
<td>56,989</td>
<td>Note 1</td>
</tr>
<tr>
<td>Total Audit Fee – Code work</td>
<td>54,692</td>
<td>50,949</td>
<td>56,989</td>
<td></td>
</tr>
<tr>
<td>Certification of claims and returns</td>
<td>19,875</td>
<td>19,875</td>
<td>*14,236</td>
<td></td>
</tr>
</tbody>
</table>

All fees exclude VAT.

* Subject to PSAA approval

Note 1 – The Council produced consolidated financial statements for the first time in the prior year, which incurred a scale fee variation to reflect the additional work required for the consolidation including instructing and relying upon the component auditor and in reviewing the disclosures required to meet the group consolidation requirements of the Code of Practice and International Accounting Standards. We estimate the ongoing impact will lead to a scale fee variation of £3,743, included in the planned fee above.

The agreed fee presented above is based on the following assumptions:

► Officers meeting the agreed timetable of deliverables;

► Officers provide appropriate responses to queries, draft audit reports and other information we request within agreed timescales;

► Our accounts opinion and value for money conclusion being unqualified;

► Appropriate quality of documentation is provided by the Council; and

► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor’s consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

---

1 Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.
 Appendix B  UK required communications with those charged with governance

There are certain communications that we must provide to the [Finance, Resources, Audit and Governance Committee]. These are detailed here:

<table>
<thead>
<tr>
<th>Required communication</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning and audit approach</strong></td>
<td></td>
</tr>
<tr>
<td>Communication of the planned scope and timing of the audit including any limitations.</td>
<td></td>
</tr>
<tr>
<td><strong>Significant findings from the audit</strong></td>
<td></td>
</tr>
<tr>
<td>► Our view about the significant qualitative aspects of accounting practices</td>
<td>[Audit Plan]</td>
</tr>
<tr>
<td>including accounting policies, accounting estimates and financial statement disclosures</td>
<td></td>
</tr>
<tr>
<td>► Significant difficulties, if any, encountered during the audit</td>
<td></td>
</tr>
<tr>
<td>► Significant matters, if any, arising from the audit that were discussed with</td>
<td></td>
</tr>
<tr>
<td>management</td>
<td></td>
</tr>
<tr>
<td>► Written representations that we are seeking</td>
<td></td>
</tr>
<tr>
<td>► Expected modifications to the audit report</td>
<td></td>
</tr>
<tr>
<td>► Other matters if any, significant to the oversight of the financial reporting process</td>
<td></td>
</tr>
<tr>
<td><strong>Misstatements</strong></td>
<td>[Audit Results Report]</td>
</tr>
<tr>
<td>► Uncorrected misstatements and their effect on our audit opinion</td>
<td></td>
</tr>
<tr>
<td>► The effect of uncorrected misstatements related to prior periods</td>
<td></td>
</tr>
<tr>
<td>► A request that any uncorrected misstatement be corrected</td>
<td></td>
</tr>
<tr>
<td>► In writing, corrected misstatements that are significant</td>
<td></td>
</tr>
<tr>
<td><strong>Fraud</strong></td>
<td>[Audit Results Report]</td>
</tr>
<tr>
<td>► Enquiries of the Finance, Resources, Audit and Governance Committee to determine</td>
<td></td>
</tr>
<tr>
<td>whether they have knowledge of any actual, suspected or alleged fraud affecting the</td>
<td></td>
</tr>
<tr>
<td>entity</td>
<td></td>
</tr>
<tr>
<td>► Any fraud that we have identified or information we have obtained that indicates</td>
<td></td>
</tr>
<tr>
<td>that a fraud may exist</td>
<td></td>
</tr>
<tr>
<td>► A discussion of any other matters related to fraud</td>
<td></td>
</tr>
<tr>
<td><strong>Related parties</strong></td>
<td>[Audit Results Report]</td>
</tr>
<tr>
<td>Significant matters arising during the audit in connection with the entity’s related</td>
<td></td>
</tr>
<tr>
<td>parties including, when applicable:</td>
<td></td>
</tr>
<tr>
<td>► Non-disclosure by management</td>
<td></td>
</tr>
<tr>
<td>► Inappropriate authorisation and approval of transactions</td>
<td></td>
</tr>
<tr>
<td>► Disagreement over disclosures</td>
<td></td>
</tr>
<tr>
<td>► Non-compliance with laws and regulations</td>
<td></td>
</tr>
<tr>
<td>► Difficulty in identifying the party that ultimately controls the entity</td>
<td></td>
</tr>
<tr>
<td><strong>External confirmations</strong></td>
<td>[Audit Results Report]</td>
</tr>
<tr>
<td>► Management’s refusal for us to request confirmations</td>
<td></td>
</tr>
<tr>
<td>► Inability to obtain relevant and reliable audit evidence from other procedures</td>
<td></td>
</tr>
<tr>
<td><strong>Consideration of laws and regulations</strong></td>
<td>[Audit Results Report]</td>
</tr>
<tr>
<td>► Audit findings regarding non-compliance where the non-compliance is material</td>
<td></td>
</tr>
<tr>
<td>and believed to be intentional. This communication is subject to compliance with</td>
<td></td>
</tr>
<tr>
<td>legislation on tipping off</td>
<td></td>
</tr>
<tr>
<td>► Enquiry of the Finance, Resources, Audit and Governance Committee into possible</td>
<td></td>
</tr>
<tr>
<td>instances of non-compliance with laws and regulations that may have a material</td>
<td></td>
</tr>
<tr>
<td>effect on the financial statements and that the Finance, Resources, Audit and</td>
<td></td>
</tr>
<tr>
<td>Governance Committee may be aware of</td>
<td></td>
</tr>
</tbody>
</table>
### Required communication

<table>
<thead>
<tr>
<th>Required communication</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independence</strong></td>
<td>◄ Audit Plan ◄ Audit Results Report</td>
</tr>
<tr>
<td>Communication of all significant facts and matters that bear on EY’s objectivity and independence</td>
<td></td>
</tr>
<tr>
<td>Communication of key elements of the audit engagement director’s consideration of independence and objectivity such as:</td>
<td></td>
</tr>
<tr>
<td>► The principal threats</td>
<td></td>
</tr>
<tr>
<td>► Safeguards adopted and their effectiveness</td>
<td></td>
</tr>
<tr>
<td>► An overall assessment of threats and safeguards</td>
<td></td>
</tr>
<tr>
<td>► Information about the general policies and process within the firm to maintain objectivity and independence</td>
<td></td>
</tr>
<tr>
<td><strong>Going concern</strong></td>
<td>◄ Audit Results Report</td>
</tr>
<tr>
<td>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</td>
<td></td>
</tr>
<tr>
<td>► Whether the events or conditions constitute a material uncertainty</td>
<td></td>
</tr>
<tr>
<td>► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</td>
<td></td>
</tr>
<tr>
<td>► The adequacy of related disclosures in the financial statements</td>
<td></td>
</tr>
<tr>
<td><strong>Significant deficiencies in internal controls identified during the audit</strong></td>
<td>◄ Audit Results Report</td>
</tr>
<tr>
<td>Fee Information</td>
<td>◄ Audit Plan ◄ Audit Results Report Annual Audit Letter if considered necessary</td>
</tr>
<tr>
<td>► Breakdown of fee information at the agreement of the initial audit plan</td>
<td></td>
</tr>
<tr>
<td>► Breakdown of fee information at the completion of the audit</td>
<td></td>
</tr>
<tr>
<td><strong>Group audits</strong></td>
<td>◄ Audit Plan ◄ Audit Results Report</td>
</tr>
<tr>
<td>► An overview of the type of work to be performed on the financial information of the components</td>
<td></td>
</tr>
<tr>
<td>► An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components</td>
<td></td>
</tr>
<tr>
<td>► Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work</td>
<td></td>
</tr>
<tr>
<td>► Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted</td>
<td></td>
</tr>
<tr>
<td>► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</td>
<td></td>
</tr>
<tr>
<td><strong>Certification work</strong></td>
<td>◄ Certification Report</td>
</tr>
<tr>
<td>► Summary of certification work undertaken</td>
<td></td>
</tr>
</tbody>
</table>
Appendix C  Detailed scopes

Our objective is to form an opinion on the group’s consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

The preliminary audit scopes we have adopted to enable us to report on the group accounts are set out below. Our audit approach is risk-based, and therefore the data below on coverage of gross revenue expenditure and total assets is provided for your information only.

<table>
<thead>
<tr>
<th>Group audit scope</th>
<th>Number of locations</th>
<th>% of GRE</th>
<th>% of Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific</td>
<td>1</td>
<td>3%</td>
<td>11%</td>
</tr>
</tbody>
</table>

► **Specific scope**: locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Group audit team.

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations. Our involvement can be summarised as follows:

► Obtain an understanding of the competence and capabilities of the component team;

► Review the component teams’ documentation of identified significant risks of material misstatement of the group financial statements; and

► Send out group instructions specifying the specific balances we wish the component team to provide assurance over.
CONTENTS

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2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN ................2
3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK ............................. 2
4. THE OUTCOMES ARISING FROM OUR WORK ........................................................... 2
5. PERFORMANCE MEASURES ....................................................................................... 5
6. PROPOSAL..................................................................................................................... 5
7. RECOMMENDATIONS ................................................................................................... 5
APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK ............. 6
APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES ........................................ 8
APPENDIX 3 – PERFORMANCE MEASURES ................................................................. 24
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 also require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager) 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 Authority 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; and
   - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

2.1 At the meeting on 11 March 2016, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered, with the IT audits being confirmed at the meeting in November 2016. There are no further amendments to report.

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 and progress to date is in line with expectations.

3.2 In summary 213 days of programmed work has been completed, equating to 89% of the (revised) Audit Plan for 2016/17.

4. THE OUTCOMES ARISING FROM OUR WORK

4.1 On completion of each individual audit an assurance level is awarded using the definitions shown in the table below.

<table>
<thead>
<tr>
<th>Assurance Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial</td>
<td>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.</td>
</tr>
<tr>
<td>Reasonable</td>
<td>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.</td>
</tr>
<tr>
<td>Limited</td>
<td>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</td>
</tr>
</tbody>
</table>
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 definitions shown in the table below.

<table>
<thead>
<tr>
<th>Urgent</th>
<th>Fundamental control issue on which action to implement should be taken within 1 month.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important</td>
<td>Control issue on which action to implement should be taken within 3 months.</td>
</tr>
<tr>
<td>Needs Attention</td>
<td>Control issue on which action to implement should be taken within 6 months.</td>
</tr>
</tbody>
</table>

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 Services have issued five final reports and the Executive Summary of these reports are attached at Appendix 2, full copies of these reports can be requested by Members from the Internal Audit Consortium Manager.

4.5 As a result of these audits 18 recommendations have been raised; no urgent (priority one), seven important (priority two) and 11 needs attention (priority three).

All of which have been agreed by management and seven of these (three important and four needs attention) have already been implemented.

In addition five Operational Effectiveness Matters have been proposed to management for consideration.

4.6 In summary the final reports issued conclude the following:

Corporate Governance Big Sky Developments – Reasonable Assurance

The audit reviewed; governance, accounting & financial arrangements business plan and policies.

On conclusion one important and two needs attention recommendations were agreed with management. The important recommendation relates to; standing agenda items for Board meetings such as risk updates and progress on meeting performance measures.
Accounts Payable – Reasonable Assurance

The audit reviewed; policy, procedure & systems, ordering and creditors. On conclusion of the review two important and three needs attention recommendations were agreed with management to address control weaknesses.

One important recommendation has already been addressed with the remaining one to ensure the system issues currently preventing warning functions from being used in the correct way to be raised with the system provider Capita to look for a resolution. This specific warning should stop purchase orders from being raised where there are insufficient funds on that budget code. The fix for this cannot be implemented part way through the financial year and in the mean time the budget meetings between accountants and budget holders does help to mitigate the associated risks.

Local Council Tax Support and Housing Benefits – Reasonable Assurance

The audit reviewed; procedures & legislation, assessment of applications, changes in circumstances, universal credit and overpayments, arrears & write offs.

The reviewed concluded with one important and three needs attention recommendations being agreed with management. The important recommendation and two of the needs attention recommendations have already been implemented, with the remaining to be addressed by financial year end (updating the scheme of delegations for write offs – this is part of a wider review of the Corporate Debt Collection Policy).

Council Tax and National Non-Domestic Rates - Reasonable Assurance

This audit focused on the; system parameters & modules, collection of income, reconciliations, refunds & transfers, including thresholds and discounts, exemptions & reliefs.

The review concluded with one important and one needs attention recommendations being agreed with management, with the needs attention recommendation already being addressed.

The important recommendation relates to ensuring that a regular report showing the transfers between accounts is produced and regularly reviewed, thus providing an independent check that these are appropriate.

EZRunner IT Application – Reasonable Assurance

This IT audit reviewed the system used by the Leisure Centres for managing the various services that it operates. The scope of the audit reviewed the access controls, data input, data processing, data output, interfaces, management trails, backup & recovery and support arrangements & change controls.

The audit concluded with two important and two needs attention recommendations being agreed with management, with one important and one needs attention recommendations already been adequately addressed. The remaining important recommendation relates reducing the number of super user accounts and ensuring the right level of access is in place for all users.

4.7 It is also pleasing to note that all audits concluded in a positive opinion being awarded, indicating a strong and stable control environment within these areas, with no issues that would need to be considered at year end and included in the Annual Governance Statement.
5. PERFORMANCE MEASURES

5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over 4 areas. The performance measures can be seen at Appendix 3.

5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows (for the first year):

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

5.3 The work for quarters one, two and three has been completed and reports on the performance measures have been provided to the Internal Audit Consortium Manager, outcomes highlights that the performance of the contractor is as expected and no issues need addressing.

5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that the audit plan has to date progressed as planned and audits are being completed in line with expectations.

6. PROPOSAL

6.1 The Finance, Resources, Audit and Governance Committee are requested to receive and note the Progress Report. In doing so the Committee is ensuring that the Internal Audit Service remains compliant with professional auditing standards.

7. RECOMMENDATIONS

7.1 That members note the outcomes of the five completed audits in the period covered by this report, and the position of the (revised) Internal Audit Plan for 2016/17.
## APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

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<th>No. of days</th>
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APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Corporate Governance - Big Sky Ventures

Executive Summary

OVERALL ASSURANCE ASSESSMENT

SCOPE
The objective of the audit was to review the systems and controls in place within Big Sky Ventures, with specific focus on Governance, Accounting and Financial Arrangements, Business Plan and Policies.
RATIONALE

- The systems and processes of internal control are, overall, deemed ‘reasonable’ in managing the risks associated with Corporate Governance – Big Sky Ventures. The assurance opinion has been derived as a result of one ‘important’ and two ‘needs attention’ recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

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

Governance

- The companies have been set up in accordance with the Council’s strategic direction and support the corporate priorities - 'promoting a thriving local economy' and 'driving services through being business like, efficient and customer aware'.

- The companies' progress is reported to Cabinet as part of the Performance, Risks, Revenue and Capital Budget Position quarterly reports and the Council's Strategic risk register includes a risk in relation to Big Sky as follows - 'Property Development activities are not successful and income generation is not realised'.

- Statutory company records are up to date and consistent with companies house records with share certificates issued in line with the companies register.

- The companies' annual confirmation statements (which replaced the annual returns) were filed in a timely basis.

- Company roles are clear and have associated job descriptions or contracts in place.

- The shareholders rights are set out in the shareholder agreement which 'serves to set out the rights of shareholders and those decisions which only they may decide'. Any other matters are considered to be reserved to the Board to determine how they should be decided, except as otherwise required by law to be made by the shareholders.'

- The schedule of matters reserved to the Board and delegated by the Board clearly outline the decision making process along with the boards’ terms of reference.

Accounting & Financial Arrangements

- Business case documentation set out the investment/finances required to set up the companies.

- The 2015/16 company accounts were prepared by Larking Gowen Chartered Accountants and due to the Council controlling the companies through 100% ownership of the share capital in Big Sky Ventures Ltd (which acts as a holding company) Big Sky Group account details are contained within the Group Statements within the Council's 2015/16 statement of accounts. The 2015/16 company accounts were submitted to companies’ house in a timely manner.
Business Plan

- The companies’ first business plan (Big Sky Group Business Plan) was produced in June 2016 which was reported to and approved by the Boards in June 2016 and ratified by the annual AGMs in August 2016.

Policies

- A Service Level Agreement has been developed for Big Sky Ventures to determine the relationship between SNC services and the companies. The purpose of the SLA is ‘to determine the services provided by South Norfolk Council to Big Sky Ventures, wholly owned subsidiaries of South Norfolk Council, and to determine the terms on which those services are provided.’

Issues to be addressed

The audit has highlighted the following area whereby controls would benefit from being strengthened, and as a result of these findings one ‘important’ recommendation has been made.

Business Plan

- Reporting of regular items/information, including but not limited to risks and achievement of objectives to the Board should be agreed and added to the agenda as standing items thereby helping to reduce the risk that business objectives are not met and poor performance goes unnoticed. This will also ensure a consistent approach.

The audit has also highlighted the following areas where two ‘needs attention’ recommendations have been made.

Business Plan

- To ensure regular review and update of the Group Business Plan, thus ensuring that the ambitions of the Group are accurately reflected and that objectives are met.

Governance

- The Governance Framework be updated to signify approval of the Scheme of Delegation and Shareholder and the companies’ adoption of key Council policies and practices. This assists in reducing the risk that there is inconsistent practices carried out by the companies and best practice and legislation is not adhered to.

Other points of note

It is recognised that the Governance & Business Manager and the Property Manager are both leaving the Council in February 2017, and these officers carry out key roles for Big Sky Ventures. However discussion with the Director of Business Development have ascertained that interim arrangements are being put in place to cover in the short term (arrangements made for both officers’ responsibilities to be taken on) and longer term solutions are being agreed. Hence no recommendation is raised within this report.
Assurance Review of Accounts Payable

Executive Summary

OVERALL ASSURANCE ASSESSMENT

A summary of the assurance assessment is shown below:

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<tr>
<th>Control Area</th>
<th>Urgent</th>
<th>Important</th>
<th>Needs Attention</th>
<th>Operational</th>
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No recommendations were raised in respect of policy, procedure and systems.

SCOPE

The objective of the audit was to review the systems and controls in place within Accounts Payable, in particular, policy, procedure and systems, ordering; and creditors, to help confirm that these are operating adequately, effectively and efficiently.
RATIONALE

- The systems and processes of internal control are, overall, deemed ‘reasonable’ in managing the risks associated with Accounts Payable. The assurance opinion has been derived as a result of two ‘important’ and three ‘needs attention’ recommendations being raised upon the conclusion of our work.
- The audit has also raised one ‘operational effectiveness matter’, which sets out a matter identified during the assignment where there may be an opportunity for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

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

Policy, Procedure and Systems

- The Council has up to date procedures in place for administering ordering and the payments of goods and services.

Creditors:

- Invoices are recorded accurately on the Integra financial system.
- Exception reports such as ‘mismatched invoices’ and ‘invoices with invalid data’ are produced monthly and reviewed by the Financial Services team.
- Adequate segregation of duties is in place between the staff processing the payment on the purchase ledger to create the BACS files and the staff transmitting the BACS file for payment.
- The control account reconciliation is prepared monthly by the Accountant and reviewed by the Senior Accountant in a timely manner, with reconciliations completed and up to date.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings two ‘important’ recommendations have been made.

Ordering

- Copies of new suppliers set up forms and evidence of changes to suppliers’ details to be retained by Financial Services electronically with diary entries completed on Integra to confirm the validity of the new details/changes made and the checks applied. This will help mitigate the risk of unauthorised or incorrect adjustments being made to suppliers’ details and of fraudulent payments being made.
• The Council to liaise with the system provider Capita to resolve the data cleansing / clear out issues so that a new set of data can be input on the financial system which will enable the Council to use the ‘blockage’ notification for budget codes that do not have sufficient funds. This will help reduce the risk of staff committing the Council to expenditure where there are insufficient funds / budget.

The audit has also highlighted the following areas where three ‘needs attention’ recommendations have been made.

Ordering

• The requisitioner and buyer (approval) procedure to be reviewed such that the two functions are separate on Integra to ensure segregation of duties between the requisitioner and buyer (approval). The will help reduce the risk of unauthorised procurement of goods and services using Council funds through inadequate segregation of duties and approvals.

Creditors

• To communicate to staff the need to receipt goods and approve invoices for payment in a timely manner. This will reduce the risk of the Council not meeting it’s a Key Performance Indicator (KPI) of making payment to suppliers within 30 days of the invoice date.

• The authorisation list on Integra to be updated as part of the starters, changes and leavers notifications to ensure staff authorised to raise invoices are listed along with their delegated approval limit to help reduce the risk of staff committing the Council to expenditure outside of their delegated limits.

Operational Effectiveness Matters

Creditors

• The operational effectiveness matter for management to consider relates to liaising with Capita on the possibility of having suppliers invoices received electronically and registering them on to the system.

Issues with access rights to the Integra system were covered in the audit of ‘Integra 2 Finance Application’ (SNC1718) - Final report issued in September 2016. A recommendation to reduce the number of users with administrative access was made and subsequently confirmed as having been implemented.
Executive Summary

OVERALL ASSURANCE ASSESSMENT

A chart illustrating the overall assurance assessment with categories such as Substantial Assurance, Reasonable Assurance, Limited Assurance, and No Assurance.

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<th>ACTION POINTS</th>
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<td>Overpayments, arrears and write offs</td>
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No recommendations have been raised in respect of procedures and legislation.

SCOPE

The objective of the audit was to review the systems and controls in place within Housing Benefit and Council Tax Support, with specific focus on procedures and legislation, assessment of applications, Universal Credit and overpayments, arrears and write offs.
RATIONALE

- The systems and processes of internal control are, overall, deemed ‘reasonable’ in managing the risks associated with Housing Benefit and Council Tax Support. The assurance opinion has been derived as a result of one ‘important’ and two ‘needs attention’ recommendations being raised upon the conclusion of our work.

- The audit has also raised one ‘operational effectiveness matter’, which sets out a matter identified during the assignment where there may be an opportunity for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

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

Procedures and legislation

- The Council follows Department of Work and Pensions (DWP) legislation and guidance in processing benefit claims. Updates from the DWP are circulated to all relevant staff.

- The Council Tax Support (CTS) scheme is reviewed and approved by Full Council on an annual basis.

- New staff are trained and overseen until they are considered competent to work independently. Training is provided to other staff members according to needs identified.

- Controls are in place which restrict access to the revenues and benefits system to authorised members of staff, thus ensuring Public Sector Network requirements are met.

- Updates to benefits are applied to the Civica OpenRevenues system on an annual basis and tested to ensure accuracy.

Assessment of applications

- All evidence for new claims and changes in circumstances is received and retained before claims are processed.

- Work items are automatically prioritised and assigned to officers, and payments are calculated automatically.

Universal Credit

- The Council makes necessary changes, such as cancelling housing benefit, in a timely manner once notified by the DWP that a claimant is receiving Universal Credit.
Overpayments, arrears and write offs

- Reasons for overpayments are recorded and action is taken to recover overpayment debts, either from ongoing benefit or through a sundry debt recovery process.
- Monthly reports are produced to monitor outstanding debts and debts are referred to the Council’s contracted enforcement agency where necessary.
- Write off requests are independently authorised and processed.

Issues to be addressed

The audit has highlighted the following area whereby controls would benefit from being strengthened, and as a result of these findings one ‘important’ recommendation has been made.

Assessment of applications

- Contingency arrangements are put in place for claim checking in the absence of the Quality Control and Information Officers, including retrospective checks, to reduce the risk of processing errors which could lead to financial loss to the Council through incorrect payment of benefits.

The audit has also highlighted the following areas where three ‘needs attention’ recommendations have been made.

Assessment of applications

- When the batch report of Automated Transfers to Local Authority Systems (ATLAS) changes is produced, evidence to be retained in order to show that it has been checked for accuracy. This will help reduce the risk of errors in the automatic process remaining undetected.

Overpayments, arrears and write offs

- Monthly reconciliations of housing benefit payments between the benefits system and general ledger are to be reviewed and counter-signed, to reduce the risk of discrepancies not being identified or resolved.
- The scheme of delegations for debt write offs is to be updated to reflect current practice, to reduce the risk of write offs being inappropriately authorised.

Operational Effectiveness Matters

- The operational effectiveness matter for management to consider relates to liaising with other local authorities about improving processes for the receipt of information for Universal Credit claimants.

Previous audit recommendations

A previous report on Housing Benefit and Council Tax Support (SNC/15/12) was issued in March 2015, with an Adequate (Reasonable) assurance opinion, having raised three medium (‘Important’) and four low (‘Needs attention’) recommendations. The audit reviewed the previous internal audit recommendations, of which one remains outstanding. This relates to reconciling overpayments, arrears and write offs to the general ledger. This was discussed with
management and a plan has been agreed to put this into place from October 2016. Progress with implementing this recommendation will continue through internal audit's cyclical follow up checks.
Executive Summary

OVERALL ASSURANCE ASSESSMENT

Control Area | Urgent | Important | Needs Attention | Operational |
---|---|---|---|---|
Reconciliations | 0 | 0 | 1 | 0 |
Refunds and transfers | 0 | 1 | 0 | 0 |
Total | 0 | 1 | 1 | 0 |

No recommendations have been raised in respect of system parameters and modules, collection of income, discounts, exemptions and reliefs.

SCOPE

The objective of the audit was to review the systems and controls in place within Council Tax and National Non-Domestic Rates, with specific focus on system parameters and modules, collection of income, reconciliations, refunds and transfers and discounts, exemptions and reliefs.
RATIONALE

• The systems and processes of internal control are, overall, deemed ‘reasonable’ in managing the risks associated with Council Tax and Non-Domestic Rates. The assurance opinion has been derived as a result of one ‘important’ and one ‘needs attention’ recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

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

System parameters and modules

• Council Tax and NNDR parameters are updated, checked and tested on an annual basis.

• Numbers and values of properties are reconciled annually to Valuation Office records for both Council Tax and NNDR.

Collection of income

• Residents and businesses are informed of available payment methods and encouraged to pay by Direct Debit. The majority of customers pay by Direct Debit, and new Direct Debits are set up in a timely manner.

• Income from Council Tax and NNDR is posted and reconciled on a daily basis.

• Processes are in place for monitoring and acting on rejected payments.

• Annual targets for collection rates have been set and progress against these targets is monitored.

Reconciliations

• The Council Tax and NNDR systems are updated from weekly reports from the Valuation Office.

Refunds and transfers

• Processes are in place for creating and authorising genuine refunds.

Discounts, exemptions and reliefs

• Discounts, exemptions and reliefs set at a local level are approved by Council and reviewed on a regular basis.

• Discounts, exemptions and reliefs are supported by written applications and evidence where necessary.

• Awards of discounts, exemptions and reliefs are reviewed to ensure they are still applicable.
**Issues to be addressed**

The audit has highlighted the following area whereby controls would benefit from being strengthened, and as a result of these findings one ‘important’ recommendation has been made.

**Refunds and transfers**

- A report of balance transfers to be run on a regular basis and be independently checked in order to reduce the risk of inaccurate or inappropriate transfers being made.

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

**Reconciliations**

- Reconciliations of refunds to be subject to independent check with evidence retained, so as to reduce the risk of inaccuracies not being identified within the Council's accounting systems.

The audit also highlighted that there have been delays in the completion of reconciliations between the Council Tax system and the general ledger. However, these reconciliations had been brought up to date at the time of the review. As such, no recommendation has been raised.

**Previous audit recommendations**

The previous audit of Council Tax and Non-Domestic Rates (SNC/15/10) was undertaken in January 2015, with an adequate (reasonable) assurance opinion. Four medium (important) and three low (needs attention) priority recommendations were raised, all of which have been confirmed as implemented prior to the start of this audit.

There are three outstanding 'needs attention' recommendations from the most recent Key Controls and Assurance audit (SNC/16/10) which are relevant to this audit. These are all related to sample checking as part of the quality control process. Since the introduction of the Council's ‘walled garden’ secure network earlier in 2016, the necessary reporting functionality has not been available. The Council is currently developing a solution which is due for implementation by 30th November 2016. Progress with implementing these recommendations will continue through our cyclical follow up checks on outstanding recommendations.
Assurance Review of the Ez-Runner Leisure Application

Executive Summary

OVERALL ASSURANCE ASSESSMENT

<table>
<thead>
<tr>
<th>ACTION POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Area</td>
</tr>
<tr>
<td>Access Controls</td>
</tr>
<tr>
<td>Interfaces</td>
</tr>
<tr>
<td>Backup &amp; Recovery</td>
</tr>
<tr>
<td>Support Arrangements &amp; Change Controls</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

No recommendations have been raised in respect of Data Processing, Data Input Data Output and Management Trails.

SCOPE

The objective of the audit was to review the systems and controls in place within the Ez-Runner Leisure Application, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.
RATIONALE

• The systems and processes of internal control are, overall, deemed Reasonable in managing the risks associated with the Ez-Runner Leisure Application. The assurance opinion has been derived as a result of two ‘important’ and two ‘needs attention’ recommendations being raised upon the conclusion of our work.

• The audit has also raised three ‘operational effectiveness matters’, which sets out areas 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.

KEY FINDINGS

Positive Findings

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

• The application has adequate access and password controls that are linked to Active Directory;
• There is adequate system administration cover in place;
• Appropriate vendor support is in place.

Issues to be addressed

The audit has highlighted the following areas where two ‘important’ recommendations have been made.

Access Controls

• Three of the current five super user accounts need to be moved to a new profile that has reduced privileges to help ensure the integrity of the application and reduce the risk of security vulnerabilities, whilst still enabling cover for the system administrator.

Interfaces

• To review and clear all errors where memberships and subs require and update as listed in the reports, these are then to be scheduled weekly to allow for continued oversight of the error condition until a fix has been implemented. This will mitigate associated risks in the interim and ensure continued review of issues.

The audit has also highlighted the following areas where two ‘needs attention’ recommendations have been made.

Access Controls

• The Council need to assign formal “Information Risk Owner” responsibilities to appropriate Leisure Services management to help ensure that relevant information risks associated with the data processed by Leisure Services are managed appropriately and effectively. This ensures that relevant information risks are identified and managed appropriately.

Support Arrangements and Change Controls
• The Council need to ensure that the support contract with Ez-Runner has been formally signed to reduce the risk of possible service degradation with no recourse being available to the Council.

**Operational Effectiveness Matters**

The operational effectiveness matters, for management to consider relate to ensuring that backout plans are explicitly discussed when there are to be IT application changes, obtaining assurances regarding Disaster Recovery testing conducted by Ez-Runner and that the software escrow arrangements have been appropriately entered into.
## APPENDIX 3 – PERFORMANCE MEASURES

<table>
<thead>
<tr>
<th>Area / Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Committee / Senior Management</strong></td>
<td></td>
</tr>
<tr>
<td>1. Audit Committee Satisfaction – measured annually</td>
<td>Adequate</td>
</tr>
<tr>
<td>2. Chief Finance Officer Satisfaction – measured quarterly</td>
<td>Good</td>
</tr>
<tr>
<td><strong>Internal Audit Process</strong></td>
<td></td>
</tr>
<tr>
<td>3. Each quarters audits completed to draft report within 10 working days of the end of the quarter</td>
<td>100%</td>
</tr>
<tr>
<td>4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter</td>
<td>100%</td>
</tr>
<tr>
<td>5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)</td>
<td>100%</td>
</tr>
<tr>
<td>6. Compliance with Public Sector Internal Audit Standards</td>
<td>Full</td>
</tr>
<tr>
<td>7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Clients</strong></td>
<td></td>
</tr>
<tr>
<td>8. Average feedback score received from key clients (auditees)</td>
<td>Adequate</td>
</tr>
<tr>
<td>9. Percentage of recommendations accepted by management</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Innovations and Capabilities</strong></td>
<td></td>
</tr>
<tr>
<td>10. Percentage of qualified (including experienced) staff working on the contract each quarter</td>
<td>60%</td>
</tr>
<tr>
<td>11. Number of training hours per member of staff completed per quarter</td>
<td>1 day</td>
</tr>
</tbody>
</table>
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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 Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.

1.3 Risk is defined as ‘the possibility of an event occurring that will have an impact on the achievement of objectives’. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).

1.4 The development of a risk-based plan takes into account the organisation’s risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.

1.5 The following factors are also taken into account when developing the internal audit plan:

- Any declarations of interest so as to avoid conflicts of interest;
- The requirements of the use of specialists e.g. IT auditors;
- Striking the right balance over the range of reviews needing to be delivered, for example systems and risk based reviews, specific key controls testing, value for money and added value reviews;
- The relative risk maturity of the Council;
- Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
- The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Finance, Resources, Audit and Governance Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.

1.6 In accordance with best practice the Finance, Resources, Audit and Governance Committee should ‘review and assess the annual internal audit work plan’.

2. AUDIT CHARTER

2.1 The Internal Audit Charter (the Charter) was developed as part of the planning process in 2014/15 and incorporated the requirements of the PSIAS, this was updated in 2015/16 to more accurately reflect the working arrangements with the new Internal Audit Contractor – TIAA Ltd.

2.2 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Internal Audit Consortium Manager to confirm its ongoing validity and completeness, and presented to the Section 151
Officer, senior management and the Finance, Resources, Audit and Governance Committee every 2 years, or as required for review.

2.3 The Charter has been recently been updated to now also reflect the new Internal Professional Practices Framework (IPPF) and PSIAS – and in particular the mission statement and core principles. The Charter now also more explicitly includes reference to the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards. The updated Charter is attached at Appendix 1 to this report.

2.4 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Internal Audit Consortium Manager, and it is ensured that the Internal Audit Services contractor staff, as well as the Internal Audit Consortium Manager adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Internal Audit Consortium Manager.

3. INTERNAL AUDIT STRATEGY

3.1 The purpose of the Internal Audit Strategy (see Appendix 2) is to confirm:

- How internal audit services will be delivered;
- How internal audit services will be developed in accordance with the internal audit charter;
- How internal audit services links to organisational objectives and priorities; and
- How the internal audit resource requirements have been assessed.

4. STRATEGIC INTERNAL AUDIT PLAN

4.1 The overarching objective of the Strategic Internal Audit Plan (see Appendix 3) is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation’s Annual Governance Statement.

4.2 The coverage over the forthcoming three years has been discussed with senior management to ensure audits are undertaken at the right time and at a time where value can be added. The discussions also went into greater detail in relation to the scope of the audits for the forthcoming year, with a joint review for audit areas being undertaken wherever possible.

5. ANNUAL INTERNAL AUDIT PLAN

5.1 Having developed the Strategic Internal Audit Plan, the Annual Internal Audit Plan is an extract of this for the forthcoming financial year (see Appendix 4). This details the areas being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.

5.2 The Annual Internal Audit Plan for 2017/18 totals 178 days, encompassing:

- 12 assignments which will conclude in an audit opinion,
- across authority review which will compare four Council’s operation of Human Resources and Payroll and share best practice items on conclusion; and
• Three IT audits.

5.3 Audit verification work concerning audit recommendations implemented to improve the Council’s internal control environment will also be undertaken throughout the financial year.

6. PERFORMANCE MANAGEMENT

6.1 The new Internal Audit Services contract includes a suite of key performance indicators (see Appendix 5) against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over 4 areas.

6.2 There are individual requirements for performance in relation to each indicator; however performance will be assessed on an overall basis as follows (for the first year):

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed and agreed with the contractor to ensure that appropriate action is taken.

6.3 Performance in relation to these indicators will be reported to the Committee as part of the Progress Reports and the Annual Report and Opinion, ensuring that Members are kept up to date on a regular basis.

7. PROPOSAL

7.1.1 The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

8. RECOMMENDATIONS

8.1.1 That the Committee recommend that Cabinet approve:
   a) the Internal Audit Charter for 2017/18;
   b) the Internal Audit Strategy for 2017/18;
   c) the Strategic Internal Audit Plans 2017/18 to 2019/20; and
   d) the Annual Internal Audit Plan 2017/18.
APPENDIX 1 – INTERNAL AUDIT CHARTER

EASTERN INTERNAL AUDIT SERVICES
SOUTH NORFOLK COUNCIL

INTERNAL AUDIT CHARTER FOR 2017/18

1. Introduction

1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector thus ensuring continuity, sound corporate governance and transparency.

1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter (the charter); this formally defines the internal audit’s purpose, authority and responsibility, and is a mandatory document.

1.3 The charter also displays formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e. the International Professional Practices Framework (IPPF).

1.4 The IPPF now also recognises the mission of internal audit which Eastern Internal Audit Services conforms to. The mission is; to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

1.5 The charter also:

- Establishes the position and reporting lines of internal audit;
- Provides unrestricted access;
- Sets the tone for internal audit activities;
• Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
• Sets out the nature and scope of assurance provided to other parties.

1.6 The charter is to be periodically reviewed and presented to Senior Management and the Board for approval. Therefore the charter will be reviewed annually by the Chief Audit Executive to confirm its ongoing completeness and validity, and presented to Senior Management and the Board every 2 years for review.

1.7 The Charter applies to all Authorities which are part of Eastern Internal Audit Services, currently; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Gt Yarmouth Borough Council and the Broads Authority.

2. Purpose, Authority and Responsibility

2.1 Purpose

2.1.1 Internal auditing is best summarised through its definition with the Standards, “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 systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

2.1.2 Internal audit will provide reasonable assurance to all organisations that are part of Eastern Internal Audit Services that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

2.2 Authority

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the 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”. The statutory requirement for internal audit is recognised in the Constitution of each Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

2.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit confirms that this person is responsible for the organisation’s internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The requirements of this statement are fully adhered to by the Chief Audit Executive.

2.3 Responsibility

2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Authority’s Chief Finance Officer (the Section 151 Officer).

2.3.2 The Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.

2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.
2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

3. Key Relationships and Position in the Organisation

3.1 The standards require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

3.2 Chief Audit Executive

3.2.1 The Chief Audit Executive is the Internal Audit Consortium Manager who provides the role of the Head of Internal Audit to all organisations part of the Eastern Internal Audit Services. The delivery of the annual internal audit plan, and any ad-hoc assignments is provided by an external contractor; TIAA Ltd since 1 April 2015. The Chief Audit Executive also manages this contract on behalf of all organisations within the Consortium.

3.2.2 The Internal Audit Consortium Manager reports functionally to the Board and administratively to the Director of Business Development at South Norfolk Council. In addition the Internal Audit Consortium Manager also reports administratively to the Section 151 Officer at each organisation.

3.2.3 The Internal Audit Consortium Manager also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Authority and the Chair of the Audit Committee at each Authority.

3.3 Board

3.3.1 The ‘Board’ is the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting. At South Norfolk Council this is the Finance, Resources, Audit and Governance Committee, whose responsibilities are discharged through the Constitution and explicitly referred to in the terms of reference.

3.3.2 This functional reporting includes;

- Approving the audit charter, audit strategy and annual plans;
- Receiving regular reports on the outcomes of internal audit activity and performance;
- Receiving regular reports on management action in relation to agreed internal audit recommendations;
- Receiving the Annual Report and Opinion of the Internal Audit Consortium Manager, alongside a conclusion as to the effectiveness of internal audit;

3.3.3 In addition the Finance, Resources, Audit and Governance Committee also; assesses its own effectiveness on an annual basis to ensure it meets best practice, receives reports in relation to relevant Policy / Strategy updates i.e. Fraud and will receive and oversee the results of external assessments of internal audit.
3.4 Senior Management

3.4.1 ‘Senior Management’ is those responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

3.4.2 The Internal Audit Consortium Manager meets regularly with the Section 151 Officer, both formally and informally, to ensure organisational awareness is maintained and that good working relationships are in place. The formal arrangements facilitate discussion in relation to the delivery of the current internal audit plan to ensure it remains on track and is responsive to changes and emerging risks. The meeting also highlights any areas which require immediate attention, that are not in the current annual plan, and also areas for future consideration.

3.4.3 In addition the Internal Audit Consortium Manager meets with officers of the senior management team through the annual audit planning process to enable a risk based internal audit plan. These relationships are maintained throughout the year to ensure awareness of developments within service areas, to keep up to date, and to ensure internal audit involvement where necessary. These are key relationships to the effective delivery of internal audit and to ensure a value-added service is provided.

3.5 Other key relationships

3.5.1 There are other key relationships that are maintained which are important to the effective and efficient delivery of internal audit.

3.5.2 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

3.5.3 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other’s outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.

3.5.4 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4. Rights of Access

4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Authority’s Constitution.

4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.
5. Objective and Scope

5.1 Assurance services is the primary role of internal audit services, which primarily feeds into the annual audit opinion on the adequacy and effectiveness of the Authority’s framework of governance, risk management and control, together with reasons if the opinion is unfavourable. This opinion covers the entire control environment of the Authority and not just the financial controls.

5.2 Internal audit also provides consultancy services, where required, which is advisory in nature and generally performed to facilitate improved governance, risk management and control.

5.3 It is management’s responsibility to manage the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition the Internal Audit Consortium is either responsible for, or is consulted on, related policy / strategy. These include for example; Counter Fraud, Corruption and Bribery Strategy, Whistleblowing Policy and Anti-Money Laundering Policy, and the related promotion and training for officers and councillors.

5.4 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

5.5 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussion with senior management, however this scope will not be unduly bias nor shall it be restricted.

6. Independence, Objectivity and Due Professional Care

6.1 Internal audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. Internal auditors must maintain an unbiased attitude that allows work to be performed in such a manner that no quality compromises are made. To this end all internal auditors working within Eastern Internal Audit Services, annually review and sign up to the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.

6.2 Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. In addition, internal auditors will not review operations for which they were previously responsible for in the preceding 12 months. Internal auditors may provide consulting services relating to such operations.

6.3 If independence or objectivity is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Consortium Manager and / or senior management. The nature of the disclosure will depend upon the impairment.

6.4 Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work is designed to enable them to provide reasonable assurance regarding the controls examined.

7. Internal Audit Resources

7.1 The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have a wide range of internal audit management experience to enable them to deliver the responsibilities that arise from the need to liaised internally and externally with councillors, senior management, officers and other professionals and stakeholders.
7.2 The Internal Audit Consortium Manager, through the contract with the external provider, shall ensure access to a team of staff who have the appropriate range of knowledge, skills, qualification and experience to deliver the audit service. The types of reviews are referred to in section 5 of the charter.

8. Audit Planning

8.1 The Internal Audit Consortium Manager develops a strategy, alongside a strategic and annual internal audit plan, using a risk based approach.

8.2 The Internal Audit Strategy is a high level statement of; how the internal audit service will be delivered; how internal audit services will be developed in accordance with the internal audit charter; how internal audit services links to the organisational objectives and priorities; and how the internal audit resource requirements have been assessed. The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

8.3 On an annual basis the internal audit plan of work, developed as per the Internal Audit Strategy, is submitted to Senior Management and the Finance, Resources, Audit and Governance Committee for approval. The Internal Audit Consortium Manager is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported through to the Committee.

9. Audit Reporting

9.1 As mentioned at section 8 the resultant internal audit plans will be received on an annual basis for approval by both Senior Management and the Finance, Resources, Audit and Governance Committee. These annual plans are then the work plan for the internal audit contractor for the forthcoming year and are resourced accordingly.

9.2 On conclusion of each assurance review a draft audit report will be provided to management that;

- Provides an assurance opinion on the systems and controls in place as to whether these are operating adequately, effectively and efficiently. These reports contribute to the annual report and opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control.
- Provides a formal report of points arising from the review and management responses to the issues raised, this includes; acceptance (or not) of the recommendation, with responsibility and timescales for implementation.
- Provides Operational Efficiency Matters (as appropriate) which sets 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.

On receipt of responses from management the report can then be finalised, post review by the Internal Audit Consortium Manager.

9.3 As mentioned in 9.2, management can choose not to accept / implement the recommendations raised by internal audit. In all such instances this will be reported through to the Finance, Resources, Audit and Governance Committee, especially in instances whereby there are no compensating controls justifying the course of action.

9.4 The Executive Summary of all final reports is reported through periodically to the Finance, Resources, Audit and Governance Committee as part of the progress reports. The standards
require this to include the performance of internal audit relative to its plan, including any
significant risk exposures and control issues. To comply 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; and performance Indicator
outcomes to date.

9.5 Where management agree to recommendations resulting in an action plan, these are
regularly followed up to assess progress on implementation. The internal audit contractor
undertakes verification work on closed recommendations, and also receives response from
management in relation to progress made. The results of which are reported periodically to
the Finance, Resources, Audit and Governance Committee as part of the follow up reports.

9.6 On conclusion of the annual internal audit plan for the financial year the Internal Audit
Consortium Manager provides an annual report and opinion to senior management and the
Finance, Resources, Audit and Governance Committee.

9.7 The annual report and opinion provides:
   • The opinion on the overall adequacy and effectiveness of the Authority’s framework
     of governance, risk management and control during the financial year, together with
     reasons if the opinion is unfavourable;
   • A summary of the internal audit work carried from which the opinion is derived, the
     follow up of management action taken to ensure implementation of agreed action as
     at financial year end and any reliance placed upon third party assurances;
   • Any issues that are deemed particularly relevant to the Annual Governance
     Statement (AGS); and
   • The Annual Review of the Effectiveness of Internal Audit, which includes;
     o a statement on conformance with the standards and the results of any quality
       assurance and improvement programme,
     o the outcomes of the performance indicators and
     o the degree of compliance with CIPFA’s Statement on the Role of the Head of
       Internal Audit.

10. Quality Assurance and Improvement Programme

10.1 The standards require a quality assurance and improvement programme to be developed
that covers all aspects of internal audit; including both internal and external assessments.

10.2 If an improvement plan is required as a result of the internal and / or the external
assessment, in order to further develop the existing service provisions, the Internal Audit
Consortium Manager will coordinate appropriate action and report against this to Senior
Management and the Finance, Resources, Audit and Governance Committee, as part of the
annual report and opinion.

10.3 Internal Assessment

10.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor
through the performance measures which form a key part of the contract and through the
quality review of all completed audits, both of which is undertaken by the Internal Audit
Consortium Manager.

10.3.2 On conclusion of audit reviews a feedback form is provided to the key client on the audit
process; the outcomes of which are reviewed to look to improve the service and any criticism
received is investigated immediately and action taken with the contractor to resolve the
issue.
10.3.3 The standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer for their independent scrutiny, before the summary of which is provided to the Finance, Resources, Audit and Governance Committee as part of the annual report and opinion. This information enables the Committee to be assured that the internal audit service is operating in accordance with best practice.

10.4 **External Assessment**

10.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Authority. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Consortium Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor / team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.

10.4.2 An external assessment will:

- Provide an assessment on the internal audit function’s conformance to the standards;
- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

10.4.3 In January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

*The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as “Generally Conforms”. It means that the internal audit team may state in its audit reports that the work “has been performed in accordance with the IPPF”*
APPENDIX 2 – INTERNAL AUDIT STRATEGY

EASTERN INTERNAL AUDIT SERVICES
SOUTH NORFOLK COUNCIL

INTERNAL AUDIT STRATEGY FOR 2017/18

1. Introduction

1.1 The Internal Audit Strategy is a high level statement of;
- how the internal audit service will be delivered;
- how internal audit services will be developed in accordance with the internal audit charter;
- how internal audit services links to the organisational objectives and priorities; and
- how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

2. How the internal audit service will be delivered

2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council (the Internal Audit Consortium Manager) to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. All Authorities are bound by a Partnership Agreement.

2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Internal Audit Consortium Manager. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years.

3. How internal audit services will be developed in accordance with the internal audit charter

3.1 Internal Audit objective and outcomes

3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority’s operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.
3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Finance, Resources, Audit and Governance Committee and the Section 151 Officer also receive:

- The Audit Plans Report, which is risk based and forms the next financial year’s plan of work;
- The Progress Reports which provide summaries of the work achieved throughout the year and the individual opinions awarded on conclusion of reviews;
- The Follow Up Reports which detail the level of management action taken in respect of agreed internal audit recommendations; and
- The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control.

3.2 Internal Audit Planning

3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.

3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority taking into account:

- Stakeholder expectations, and feedback from senior and operational managers;
- Objectives set in the strategic plan and business plans;
- Risk maturity in the organisation to provide an indication of the reliability of risk registers;
- Management’s identification and response to risk, including risk mitigation strategies and levels of residual risk;
- Legal and regulatory requirements;
- The audit universe – all the audits that could be performed; and
- Previous IA plans and the results of audit engagements.

3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.

3.2.4 Risk based internal audit planning starts with the Authority’s Business Plan, linking through to the priority areas and the related high level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.

3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority’s priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.

3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management’s assessment of risk and to base audit plans and efforts around that process.

3.2.7 Consultation with the Section 151 Officer and Senior Management takes place through specific meetings during which current and future developments, changes, risks and areas of concern are discussed and the plan amended accordingly to take these into account.
3.2.8 The outcome of this populates a strategic internal audit plan, and the resulting annual internal audit plan, which are discussed with and approved by Senior Leadership Team prior to these being brought to the Finance, Resources, Audit and Governance Committee. In addition External Audit is also provided with early sight of the plans.

3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides Senior Management and the Finance, Resources, Audit and Governance Committee with an assessment of the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control.

3.3.2 The opinion is based upon:
- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes:
  - A statement on conformance with the standards and the results of any quality assurance and improvement programme,
  - the outcomes of the performance indicators and
  - the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.

3.3.3 In order to achieve the above internal audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

4. How internal audit services links to the organisational objectives and priorities

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national Issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular “horizon scanning” updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking with, all help to ensure developments are noted and incorporated where appropriate.

5. How internal audit resource requirements have been assessed

5.1 Through utilising an external audit contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an
in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.

5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.
## APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN

### Audit Area

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Last review &amp; assurance</th>
<th>Associated Risk</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Opinion / Governance audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>2016/17 - Reasonable</td>
<td>High</td>
<td>6</td>
<td>6</td>
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</tr>
<tr>
<td>Company Audits</td>
<td>2016/17 - Reasonable</td>
<td>High</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Management</td>
<td>2016/17 - Review Due</td>
<td>High</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Controls and Assurance</td>
<td>2015/16 - Reasonable</td>
<td>High</td>
<td>15</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Corporate Health and Safety</td>
<td>New specific area</td>
<td>High</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fundamental Financial Systems</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accountancy Services including control accounts,</td>
<td>2015/16 - Reasonable</td>
<td>High</td>
<td>16</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>banking, bank reconciliation, asset register, budgetary control,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>insurances and treasury management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>2016/17 - Reasonable</td>
<td>High</td>
<td>12</td>
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</tr>
<tr>
<td>Accounts Receivable</td>
<td>2015/16 - Reasonable</td>
<td>High</td>
<td>10</td>
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<tr>
<td>Income (remittances)</td>
<td>2015/16 - Reasonable</td>
<td>High</td>
<td>7</td>
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<tr>
<td>Local Council Tax Support and Housing Benefit</td>
<td>2016/17 - Reasonable</td>
<td>High</td>
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<td>Council Tax and National Non-Domestic Rates</td>
<td>2016/17 - Reasonable</td>
<td>High</td>
<td>20</td>
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<tr>
<td>Payroll and Human Resources</td>
<td>2016/17 - Review Due</td>
<td>High</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross Authority Review - Payroll &amp; Human Resources</td>
<td>Ad hoc review</td>
<td></td>
<td>6</td>
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</tr>
<tr>
<td>Audit Area</td>
<td>Last review &amp; assurance</td>
<td>Associated Risk</td>
<td>2017/18</td>
<td>2018/19</td>
<td>2019/20</td>
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<tr>
<td><strong>Service area audits</strong></td>
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</tr>
<tr>
<td>Performance Management</td>
<td>2014/15 - Reasonable</td>
<td>Medium</td>
<td>10</td>
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<td></td>
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<tr>
<td>Election and Electoral Registration</td>
<td>2013/14 - Reasonable</td>
<td>Medium</td>
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<tr>
<td>Procurement</td>
<td>2016/17 - Review Due</td>
<td>High</td>
<td>10</td>
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</tr>
<tr>
<td>Property Valuation, management, investment and development</td>
<td>2014/15 - Reasonable</td>
<td>High</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leisure</td>
<td>2016/17 - Reasonable</td>
<td>Medium</td>
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</tr>
<tr>
<td>Democratic Services - members services, training, allowances and expenses</td>
<td>2015/16 - Reasonable</td>
<td>Low</td>
<td></td>
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<tr>
<td>NPLaw Arrangements</td>
<td>2014/15 - Reasonable</td>
<td>Medium</td>
<td>8</td>
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<tr>
<td>Development Management</td>
<td>2014/15 - Reasonable</td>
<td>Medium</td>
<td>20</td>
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<tr>
<td>CNC - Building Control</td>
<td>2016/17 - Reasonable</td>
<td>High</td>
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<tr>
<td>Economic Development</td>
<td>Deferred from 2015/16</td>
<td>Medium</td>
<td>10</td>
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<tr>
<td>Licensing, Food Safety and Health and Safety</td>
<td>2016/17 - Reasonable</td>
<td>Medium</td>
<td>8</td>
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<tr>
<td>Car Parks</td>
<td>2015/16 - Reasonable</td>
<td>High</td>
<td>10</td>
<td>10</td>
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</tr>
<tr>
<td>Early Help Hub</td>
<td>2016/17 - Limited</td>
<td>Medium</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste Management includes refuse collection, street cleansing, recycling, clinical, and vehicle and grounds maintenance</td>
<td>2014/15 - Reasonable</td>
<td>High</td>
<td>15</td>
<td></td>
<td></td>
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<tr>
<td>2016/17 - Review Due</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Emergency Planning, Environmental Protection, Pest Control, Dog Warden &amp; Pollution Control</td>
<td>2015/16 - Reasonable</td>
<td>Medium</td>
<td>10</td>
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<tr>
<td>Housing Standards includes DFGs and discretionary grants</td>
<td>2015/16 - Reasonable</td>
<td>Medium</td>
<td>10</td>
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<tr>
<td>Homelessness</td>
<td>2012/13 - Reasonable</td>
<td>Medium</td>
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<tr>
<td>Housing Strategy and Affordable Housing</td>
<td>2016/17 - Reasonable</td>
<td>Medium</td>
<td>10</td>
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<tr>
<td>Home Options</td>
<td>2016/17 - Reasonable</td>
<td>Medium</td>
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<tr>
<td>Audit Area</td>
<td>Last review &amp; assurance</td>
<td>Associated Risk</td>
<td>2017/18</td>
<td>2018/19</td>
<td>2019/20</td>
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<td>------------------------------------------------</td>
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<tr>
<td><strong>ICT Audits</strong></td>
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</tr>
<tr>
<td>Business Continuity and Disaster Recovery</td>
<td>2014/15 - Reasonable</td>
<td>Medium</td>
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<tr>
<td>Cash Receipting</td>
<td>2007/08 - Limited</td>
<td>Medium</td>
<td>10</td>
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</tr>
<tr>
<td>Service Desk / Change Management</td>
<td>New specific area</td>
<td>Medium</td>
<td>10</td>
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<tr>
<td>Audits to be confirmed</td>
<td></td>
<td></td>
<td>30</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td><strong>Follow Up of audit recommendations</strong></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>All agreed internal audit recommendations</td>
<td></td>
<td></td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total number of days</strong></td>
<td></td>
<td></td>
<td>178</td>
<td>226</td>
<td>164</td>
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</table>
## APPENDIX 4 – ANNUAL INTERNAL AUDIT PLAN

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>No of days</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Opinion audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>6</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td>The Code of Corporate Governance is currently being revisited therefore the audit will review the updated version in relation to the CIPFA guidance and the audit will also look at the recording of Decisions, both by officers and through Committee meetings.</td>
</tr>
<tr>
<td>Key Controls and Assurance</td>
<td>15</td>
<td></td>
<td>15</td>
<td></td>
<td></td>
<td>Annual review of key controls that feed into the Statement of Accounts, for those systems not subject to an audit review within year. This will cover; accounts payable, payroll &amp; human resources, local council tax support &amp; housing benefit, council tax &amp; business rates and the assurance framework.</td>
</tr>
<tr>
<td>Corporate Health and Safety</td>
<td>6</td>
<td></td>
<td></td>
<td>6</td>
<td></td>
<td>The audit will review the processes for ensuring health and safety across the Council and with key partners. The scope of the audit will cover: designated responsible officer role, key roles &amp; responsibilities, guidance, programme of regular inspections, evidence of inspections having been completed with outcomes / issues followed up and reporting of instances.</td>
</tr>
<tr>
<td><strong>Fundamental Financial Systems</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accountancy Services including control accounts, banking, bank reconciliation, asset register, budgetary control, insurances and treasury management</td>
<td>16</td>
<td></td>
<td></td>
<td>16</td>
<td></td>
<td>These key financial systems feed into the Statement of Accounts and requires regular review to confirm the adequacy and effectiveness of controls in these key areas.</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>10</td>
<td></td>
<td></td>
<td>10</td>
<td></td>
<td>The Accounts Receivable audit will have a detailed focus on bad debt and recovery thereof and budgetary control (within Acc Services) will focus on levels of delegation.</td>
</tr>
<tr>
<td>Income</td>
<td>7</td>
<td></td>
<td></td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross Authority Review - HR and Payroll</td>
<td>6</td>
<td></td>
<td></td>
<td>6</td>
<td></td>
<td>This is the third cross authority review that will be undertaken, these are designed to compare the areas of a particular service at each of the participating Councils during a defined period to identify the medians for each of the areas. Information is also obtained on the practices and approaches adopted by the individual Councils for the areas being considered. A comparator assessment is provided for each area considered which advises the extent to which the arrangements currently adopted by a Council compare against best practice identified at the other participating Councils.</td>
</tr>
<tr>
<td>Audit Area</td>
<td>No of days</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Notes</td>
</tr>
<tr>
<td>---------------------------------------</td>
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</tr>
<tr>
<td>Performance Management</td>
<td>10</td>
<td></td>
<td>10</td>
<td></td>
<td></td>
<td>The Council's business plans is designed to be a live document that ensures the Council and its services meets its priorities. This review will focus on the business plan, and how this feeds through to team and individual priorities and service delivery. Performance measures will also be reviewed to ensure that this are measurable and where time allows a comparison to other Councils measures will be undertaken for targeted service areas.</td>
</tr>
<tr>
<td>Leisure</td>
<td>10</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>An ongoing focus on stock and cash remains, with a specific review of the processes in place at the Wymondham Café. In addition the audit will look at the requirements of the QUEST accreditation and ensure the centres are on track for final accreditation in June 2017. The audit will also look at the benefits of retaining the accreditation going forwards and how the skills are being embedded within the team.</td>
</tr>
<tr>
<td>Development Management</td>
<td>20</td>
<td></td>
<td>20</td>
<td></td>
<td></td>
<td>With the review by the Business Improvement Team being complete, a review of this area will focus on the changes that have been made and ensure robust controls remain. Of particular focus will be the processes for Section 106 agreements and the determination of planning applications.</td>
</tr>
<tr>
<td>Car Parks</td>
<td>10</td>
<td></td>
<td>10</td>
<td></td>
<td></td>
<td>A review regularly undertaken due to the risks associated with the area and the flow of income.</td>
</tr>
<tr>
<td>Housing Standards - Disabled Facilities</td>
<td>10</td>
<td></td>
<td>10</td>
<td></td>
<td></td>
<td>The Disabled Facility Grants process is currently being reviewed by the Business Improvement Team, to focus on the length of time for determining and concluding the grants. The audit will be undertaken post this review, once the new processes have become embedded to ensure the desired outcomes have been achieved.</td>
</tr>
<tr>
<td>Grants and Discretionary Grants</td>
<td>10</td>
<td></td>
<td>10</td>
<td></td>
<td></td>
<td>Since the audit was last reviewed there are additional duties that need to be discharged under the homelessness prevention bill, this audit will review the service to ensure the duties are effectively discharged and that the outcomes are achieved.</td>
</tr>
<tr>
<td>Audit Area</td>
<td>No of days</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Notes</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------------</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>ICT Audits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Continuity and Disaster Recovery</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>The Council has upgraded its Disaster Recovery infrastructure at the Wymondham Leisure Centre, this audit will refer the work undertaken and provide assurance over the controls that are being put in place.</td>
</tr>
<tr>
<td>Cash Receipting</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>This application was last reviewed in 2007/08 and received a limited assurance at that time. The Council has since replaced the application and an audit and this review will focus on the IT environment within this area to ensure that controls are robust.</td>
</tr>
<tr>
<td>Service Desk</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>The Council has upgraded its Service Desk application and related business processes, the audit of the service desk, change management and problem management will provide assurance over the controls in place for the new application. The audit will use ITIL best practice as the benchmark for the scope within the three areas specified.</td>
</tr>
<tr>
<td>Follow Up of audit recommendations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All agree internal audit recommendations</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>Bi-monthly follow up of agreed recommendations and evidence of closure verified.</td>
</tr>
<tr>
<td>Total number of days</td>
<td>178</td>
<td>23</td>
<td>35</td>
<td>71</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX 5 – PERFORMANCE MEASURES

<table>
<thead>
<tr>
<th>Area / Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Committee / Senior Management</strong></td>
<td></td>
</tr>
<tr>
<td>1. Audit Committee Satisfaction – measured annually</td>
<td>Adequate</td>
</tr>
<tr>
<td>2. Chief Finance Officer Satisfaction – measured quarterly</td>
<td>Good</td>
</tr>
<tr>
<td><strong>Internal Audit Process</strong></td>
<td></td>
</tr>
<tr>
<td>3. Each quarters audits completed to draft report within 10 working days of the end of the quarter</td>
<td>100%</td>
</tr>
<tr>
<td>4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter</td>
<td>100%</td>
</tr>
<tr>
<td>5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)</td>
<td>100%</td>
</tr>
<tr>
<td>6. Compliance with Public Sector Internal Audit Standards</td>
<td>Full</td>
</tr>
<tr>
<td>7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Clients</strong></td>
<td></td>
</tr>
<tr>
<td>8. Average feedback score received from key clients (auditees)</td>
<td>Adequate</td>
</tr>
<tr>
<td>9. Percentage of recommendations accepted by management</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Innovations and Capabilities</strong></td>
<td></td>
</tr>
<tr>
<td>10. Percentage of qualified (including experienced) staff working on the contract each quarter</td>
<td>60%</td>
</tr>
<tr>
<td>11. Number of training hours per member of staff completed per quarter</td>
<td>1 day</td>
</tr>
</tbody>
</table>
External Quality Assessment of Internal Audit

Report of the Internal Audit Consortium Manager
Cabinet Member: Cllr Edney

CONTACT
Emma Hodds 01508 533791
Ehodds@s-norfolk.gov.uk
1. Introduction

1.1 This report presents the results of an external review by the Institute of Internal Auditors (IIA) of Eastern Internal Audit Service’s conformance with the Standards.

2. Background

2.1 The objective of the review was to undertake an independent, objective external quality assessment of the Eastern Internal Audit Service against the International Professional Practices Framework (IPPF). This has included considering the team’s conformance to the IPPF, benchmarking the function’s activities against best practice and assessing the impact of internal audit on the organisation.

2.2 The assessment was conducted as a full external quality assessment using the methods prescribed by Chartered Institute of Internal Auditors. A wide range of documentary evidence was reviewed, a number of representative stakeholders were interviewed, as were the Internal Audit Consortium Manager and TIAA Audit Director. This report presents the outcome of that review to the Committee, and the full report is attached at Appendix A to this report.

2.3 The IIA’s IPPF includes the Definition of Internal Auditing, Core Principles, Code of Ethics and International Standards. There are 56 fundamental principles to achieve with more than 150 points of recommended practice. The Standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal Audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit assurance.
3. Current Position/Findings

3.1 The report concluded that the internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as “Generally Conforms” (this is the best rating available). It means that the internal audit team may state in its audit reports that the work “has been performed in accordance with the IPPF”.

3.2 The assessor has noted some key achievements within the attached report, with the following overriding summary statement provided:

“Eastern Internal Audit Services deliver an effective independent and objective assurance and consulting service across the authorities it serves, covering the full range of activity that this organisation undertakes. Some challenges remain, of course, but overall we believe that stakeholders see the Internal Audit Consortium Manager and the core internal audit team as professional, approachable and competent in their work.”

3.3 In addition the IIA have benchmarked the service against others that have been assessed and has concluded against 5 key areas that:

The service is excellent in the efficiency of its operations – this is a fantastic result which really emphasises how well the contract works and the IIA have confirmed that this is a conclusion that is rarely achieved in such a review.

The service is good in its Reflection of the Standards and the Quality Assurance and Improvement Programme.

In relation to focusing on performance, risk and adding value the team is satisfactory – this relates to more formally documenting the risks to the internal audit service and undertaking a more formal assessment of risks at each Authority and formally link this through to the audit plans.
And finally in relation to coordinating and maximising assurance we are considered to need improvement in this area - this is not uncommon and a conclusion drawn on by the assessors in the majority of the reviews they undertake. This is where we need to more formally recognise relationships with other internal teams i.e. Business Improvement, Monitoring Officer, Fraud, Risk etc. and then consider undertaking a wider assurance mapping exercise.

4. Recommendation

4.1 That Committee note the report, the results of the assessment and the resultant action plan.

Appendix A – Report of the Institute of Internal Auditors (IIA)
EXTERNAL QUALITY ASSESSMENT (EQA) FINAL REPORT FOR

Eastern Internal Audit Services (EIAS)

Prepared by John Chesshire and Jane Needham on behalf of the CIIA, 13 January 2017

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>2</td>
</tr>
<tr>
<td>Conformance to the International Professional Practices Framework</td>
<td>3-4</td>
</tr>
<tr>
<td>Key Achievements</td>
<td>5</td>
</tr>
<tr>
<td>Recommendations to achieve conformance to the Standards</td>
<td>6-7</td>
</tr>
<tr>
<td>Opportunities for Further Development and Continuous Improvement</td>
<td>7</td>
</tr>
<tr>
<td>IIA evaluations:</td>
<td>8</td>
</tr>
<tr>
<td>- Internal Audit Effectiveness Matrix</td>
<td>9</td>
</tr>
<tr>
<td>- Corporate Audit SWOT Analysis</td>
<td></td>
</tr>
<tr>
<td>Appendices:</td>
<td></td>
</tr>
<tr>
<td>1. IIA Grading definitions</td>
<td>10</td>
</tr>
<tr>
<td>2. List of Interviewees</td>
<td>11</td>
</tr>
</tbody>
</table>

Report Caveat - This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of Chartered IIA.
EXECUTIVE SUMMARY

The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as “Generally Conforms”. It means that the internal audit team may state in its audit reports that the work “has been performed in accordance with the IPPF”.

We have benchmarked the performance of the internal audit team against a maturity model based on a wide range of UK and Irish internal audit functions and we believe that it is Excellent in:

- The efficiency of its operations

We consider that the internal audit team is Good in its:

- Reflection of the Standards
- Quality Assurance and Improvement Programme

We consider that the internal audit team is Satisfactory in its:

- Focus on performance, risk and adding value

We consider that the internal audit team Needs Improvement as regards:

- Coordinating and maximising assurance

We consider that a key factor in these achievements is that the Internal Audit Consortium Manager is competent, enthusiastic and well respected by key stakeholders.

We have provided the Internal Audit Consortium Manager with our comments in a detailed standard-by-standard checklist as a separate document.

We also make a number of recommendations to achieve conformance with the Standards. These are included below.

Finally, as part of this External Quality Assessment we undertook an online survey of 36 senior managers across the authorities and the seven audit committee chairs. We received 19 and four responses. The majority of the results were either good or excellent, with a small number of fair assessments and very few lower ratings. Audit committee feedback was particularly positive. We have sent on a separate copy of the results to the Internal Audit Consortium Manager.
Conformance to the Standards: The International Professional Practice Framework (IPPF)

The objective of this External Quality Assurance (EQA) review was to undertake an independent, objective external quality assessment of the Eastern Internal Audit Service against the IPPF. This has included considering the team’s conformance to the IPPF, benchmarking the function’s activities against best practice and assessing the impact of internal audit on the organisation.

The Institute of Internal Audit’s (IIA’s) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Core Principles, Code of Ethics and International Standards. There are 56 fundamental principles to achieve with more than 150 points of recommended practice. Below is a summary of the Eastern Internal Audit Service’s conformance to both the IPPF and the core principles. This is a good performance given the breadth of the IPPF and the diverse organisational contexts that the IA team operate in across the region.

<table>
<thead>
<tr>
<th>Summary of IIA Conformance</th>
<th>Standards</th>
<th>N/A</th>
<th>Does not Conform</th>
<th>Partially Conforms</th>
<th>Generally Conforms</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition of IA and Code of Ethics</td>
<td>Rules of conduct</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Purpose</td>
<td>1000 - 1130</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>People</td>
<td>1200 - 1230</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Performance</td>
<td>1300 - 1322</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Planning</td>
<td>2000 - 2130</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Process</td>
<td>2200 - 2600</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4</td>
<td>0</td>
<td>6</td>
<td>46</td>
<td>56</td>
</tr>
</tbody>
</table>

The overall assessment resulting from the EQA is that Eastern Internal Audit Services “does generally conform to the IIA’s professional standards” and by extension, the Public Sector Internal Audit Standards (PSIAS).

It is therefore appropriate for Eastern Internal Audit Services to say in reports and other literature that it “conforms to the IIA’s professional standards” and that its work has been performed “in accordance with the IPPF.”

This external quality assessment was conducted as a full external quality assessment using the methods prescribed by Chartered Institute of Internal Auditors. We reviewed a wide range of documentary evidence, interviewed a number of representative stakeholders, and interviewed the Internal Audit Consortium Manager and TIAA Audit Director.
In addition to our review of the self-assessment, we also used a “Survey Monkey” application to survey a total of 36 senior managers and the seven audit committee chairs. The surveys provided consistent results that supported our validation and interviews. Copies of the survey results have been shared with the Internal Audit Consortium Manager.

We have also provided the Internal Audit Consortium Manager with our comments in a detailed standard-by-standard checklist as a separate document.
Key Achievements

Eastern Internal Audit Services deliver an effective independent and objective assurance and consulting service across the authorities it serves, covering the full range of activity that this organisation undertakes. Some challenges remain, of course, but overall we believe that stakeholders see the Internal Audit Consortium Manager and the core internal audit team as professional, approachable and competent in their work.

Senior managers also value the results of IA engagements.

The service is led by an experienced Internal Audit Consortium Manager who is a Chartered Internal Auditor and CMIIA qualified. She is supported by an experienced Audit Director and a core team of internal auditors from TIAA, the external partner.

Stakeholders were universally complimentary about the Internal Audit Consortium Manager’s personal, communication, relationship and technical skills. Indeed, everyone we spoke to was full of praise for the Internal Audit Consortium Manager. Very well done – this is excellent!

Annual planning is comprehensive and is a very participative process involving clients and stakeholders at appropriate stages. Progress is documented and reported in quarterly sessions with respective audit committees. Eastern Internal Audit Services employ range of effective Key Performance Indicators to assess service performance, with a particular focus on quality and delivery.

Eastern Internal Audit Services have developed an appropriate methodology for auditing across the authorities. The operational internal audit processes are fit for purpose and documented in a professional audit manual and an associated set of templates and supporting guidance. Our file reviews showed appropriate compliance with the methodology and evidence of appropriate supervision and review. The internal audit process is efficient and economic.
## Recommendations to achieve conformance to the Standards

<table>
<thead>
<tr>
<th>Ref</th>
<th>IPPF section</th>
<th>Recommendations for the Internal Audit Consortium Manager</th>
<th>Internal Audit Consortium Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mission Statement &amp; Definition of internal auditing</td>
<td>Amend the IA Charter to reflect the new IPPF and PSIAS – and in particular the mission statement and core principles – at its next formal review.</td>
<td>Agreed and already implemented.</td>
</tr>
<tr>
<td>2.</td>
<td>1010 - Recognising Mandatory Guidance in the Internal Audit Charter</td>
<td>More explicitly include reference to the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards in the charters.</td>
<td>Agreed and already implemented.</td>
</tr>
<tr>
<td>3.</td>
<td>1100 - Independence and Objectivity</td>
<td>Formally document the role and relationship between internal audit and other assurance providers, across the authorities, with the aim of more formally sharing information, coordinating activities and potentially relying upon each other’s work.</td>
<td>This is “known” informally for each authority and will be included in the Audit Charter update in 2018 following formal documentation and assessment of the other internal assurance providers such as Fraud, DP, H&amp;S and Business Improvement Teams.</td>
</tr>
<tr>
<td>4.</td>
<td>1111 - Direct Interaction with the Board</td>
<td>Consider the benefits and opportunities associated with having an annual meeting with the audit committee chairs, without management present.</td>
<td>This is already considered and a process is already in place at each Authority. For example this is a standing item annually at Gt Yarmouth and six monthly at Breckland. As this is already considered I do not believe any further action is necessary.</td>
</tr>
<tr>
<td>5.</td>
<td>1230 - Continuing Professional Development</td>
<td>Formally develop and document a CPD plan to help ensure they stay up to date with new and emerging risk, governance and internal audit practices.</td>
<td>Agreed</td>
</tr>
<tr>
<td>6.</td>
<td>1311 – Internal Assessments</td>
<td>Formally review a sample of internal audit working files from time to time as part of their internal assessments.</td>
<td>The possibility to undertake such reviews is built into the contract and can be invoked as and when necessary. However the assure programmes (completed work programmes, including evaluation, population, sample selection, testing,</td>
</tr>
</tbody>
</table>
reference to supporting evidence and outcomes) are reviewed along with every draft report to ensure that I would come to the same conclusions – if I have any queries I do ask for further information from the auditor and can also look into the supporting evidence files if necessary. I believe the risks associated with the current approach are very low.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>1312 – External Assessments</td>
<td>Ensure that external assessments are undertaken at a minimum of five yearly intervals in the future.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agreed but this is the first time that an external review has been necessary so it seems a bit harsh to have this as a formal recommendation.</td>
</tr>
</tbody>
</table>

8. 2000 - Managing the Internal Audit Activity

Undertake more formal risk management activity to increase the chance of Eastern Internal Audit Services achieving its objectives.

We are informally aware of risks that face us as a service, therefore I do not believe that just because we do not have these formally documented it prevents us from achieving our objectives – we provide a professional audit service to all our clients and complete all work on time and to a high standard.

I also have the opportunity to raise high level risks through the South Norfolk Council risk management process and have done so historically i.e. whilst we were retendering for the service.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>2010 - Planning</td>
<td>As risk management maturity improves across the authorities, undertake a more formal assessment of the risk maturity of each organisation and ensure that there is a defined link between the risk registers in place in each organisation and the internal audit RBIA annual plans.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>At some authorities I am able to link through to risk registers as part of audit planning and as part of this process I review the risk registers. However some sites have a more informal risk process so this is not possible. This action is one for future consideration.</td>
</tr>
</tbody>
</table>

10. 2050 - Coordination and Reliance

As formal risk management maturity improves, consider developing a fit for purpose assurance map for each authority.

Assurance mapping is recognised as a relatively new concept and can be time consuming.

Options for how to do this more formally will be explored, however I would argue that this is carried out informally through the discussions with senior management as part of the audit planning process.
Opportunities for Further Development and Continuous Improvement

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice.

However, in our EQA reviews we also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives, summarised in an Internal Audit effectiveness matrix (page eight).

We then interpret our findings into a summary of strengths and weaknesses (page nine) to set the scope for further development based upon the wide range of guidance published by the Chartered Institute. It is our aim to offer advice and a degree of challenge to help internal audit functions continue their journey towards best practice and excellence.
## Internal Audit Maturity Matrix: Eastern Internal Audit Services’ Effectiveness highlighted

<table>
<thead>
<tr>
<th>Assessment</th>
<th>IIA standards</th>
<th>Focus on performance, risk and adding value.</th>
<th>Coordination and maximising assurance</th>
<th>Operating with efficiency</th>
<th>Quality Assurance and Improvement Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally conforms in all areas.</td>
<td>IA alignment to the organisation’s objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.</td>
<td>IA is fully independent and is recognised by all as a 3rd line of defence. The work of assurance providers is coordinated with IA reviewing reliability thereof.</td>
<td>Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.</td>
<td>On-going efforts by IA team to enhance quality through continuous improvement. QA&amp;IP plan is shared with and approved by AC.</td>
</tr>
<tr>
<td>Good</td>
<td>The IIA Standards are fully integrated into the methodology – mainly generally conforms.</td>
<td>Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value added dimension.</td>
<td>Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.</td>
<td>Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.</td>
<td>Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>Most of the IIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.</td>
<td>Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change but criteria and role require clarity.</td>
<td>The 3 lines of defence is model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.</td>
<td>Methodology recognises the need to manage engagement efficiency and timeliness but further consistency is needed. Reports are informative and valued.</td>
<td>Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&amp;IP may need formalising.</td>
</tr>
<tr>
<td>Needs improvement</td>
<td>Gaps in the methodology with a combination of non-conformances and partial conformances to the IIA Standards.</td>
<td>Some connections to the organisation’s objectives and risks but IA engagements are mainly cyclical and prone to change at management request.</td>
<td>The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.</td>
<td>Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.</td>
<td>QC not consistently embedded across the function. QA is limited / late or does not address root causes.</td>
</tr>
<tr>
<td>Poor</td>
<td>No reference to the IIA Standards with significant levels of non-conformance.</td>
<td>No relationship between IA engagements and the organisation’s objectives, risks and performance. Many audits are ad hoc.</td>
<td>IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.</td>
<td>Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.</td>
<td>No evidence of ownership of quality by the IA team.</td>
</tr>
</tbody>
</table>
## SWOT analysis: Eastern Internal Audit Services’ opportunities for development

<table>
<thead>
<tr>
<th>What works well (Strengths)</th>
<th>What could be done better (Weaknesses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Internal Audit Consortium Manager is highly respected by key stakeholders.</td>
<td>• Formalise risk management in Eastern Internal Audit Services to help ensure relationship, continuity, delivery and assurance risks are effectively mitigated.</td>
</tr>
<tr>
<td>• Stakeholders particularly praised the Internal Audit Consortium Manager’s relationship, communication and engagement skills.</td>
<td>• More formal coordination and knowledge sharing with other internal and external assurance providers may help improve governance, risk and control across the authorities.</td>
</tr>
<tr>
<td>• When issues have occurred in particular internal audits, stakeholders have been impressed by the Internal Audit Consortium Manager’s timely resolution.</td>
<td>• The Internal Audit Consortium Manager could sample check working files to enhance elements of her own QAIP.</td>
</tr>
<tr>
<td>• The Internal Audit Consortium Manager and internal audit service are responsive and flexible, and always try to be accommodating. They communicate effectively.</td>
<td></td>
</tr>
<tr>
<td>• A range of KPIs are actively monitored to assess delivery and performance.</td>
<td></td>
</tr>
<tr>
<td>• Stakeholders feel very engaged in the annual and engagement planning processes, and throughout the internal audit engagements.</td>
<td></td>
</tr>
<tr>
<td>• Stakeholders felt that the annual plans covered relevant, useful subjects.</td>
<td></td>
</tr>
<tr>
<td>• Stakeholders were very supportive of the revised internal audit engagement report format and structure. The operational effectiveness points were valued.</td>
<td></td>
</tr>
<tr>
<td>• The core internal audit team were generally viewed as competent, knowledgeable and approachable.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What could deliver further value (Opportunities)</th>
<th>What could stand in your way (Threats)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Some stakeholders want to see more insight, added value and a better idea of ‘what good looks like’ from TIAA’s work with other organisations.</td>
<td>• The Internal Audit Consortium Manager should be cautious about reducing internal audit engagement durations to ensure that sufficient, professional work can be done in the time available to provide meaningful assurance.</td>
</tr>
<tr>
<td>• More cross-functional internal audit engagements could help highlight good practices and help enhance consistent adoption of these.</td>
<td>• Loss of the Internal Audit Consortium Manager would impact service.</td>
</tr>
<tr>
<td>• Benchmarking and knowledge sharing activities with other IA functions could be used to identify alternative strategies. SIAP could be a useful contact.</td>
<td>• Small core TIAA team with risk of loss of continuity, local knowledge and expertise if staff move elsewhere.</td>
</tr>
<tr>
<td>• A closer link between authorities’ risk maturity and annual internal audit plans would be beneficial and may help drive risk management improvements.</td>
<td>• Cuts in authority budgets could reduce internal audit coverage below a minimum required to provide an annual opinion.</td>
</tr>
<tr>
<td>• A greater focus on identifying any root causes of governance, risk and control weaknesses could add greater value.</td>
<td>• Less management buy in to internal audit could impact delivery and overall effectiveness.</td>
</tr>
<tr>
<td>• There may be governance, risk and control benefits in an internal audit presence on the steering groups of key change initiatives and systems implementations.</td>
<td>• Emerging risks could impact service quality unless ongoing CPD occurs.</td>
</tr>
</tbody>
</table>
The following rating scale has been used in this report.

### Overall Audit Grading

**Generally Conforms (GC)**
The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

**Partially Conforms (PC)**
The assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

**Does Not Conform (DNC)**
The assessor has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The assessor must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a “generally conforms” rating.
List of Interviewees

We greatly appreciate the time and assistance given by stakeholders and members of Eastern Internal Audit Services during the review.

<table>
<thead>
<tr>
<th>Name</th>
<th>IA</th>
<th>Exec</th>
<th>Position / role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emma Hodds</td>
<td>✓</td>
<td></td>
<td>Internal Audit Consortium Manager</td>
</tr>
<tr>
<td>Duncan Ellis</td>
<td>✓</td>
<td></td>
<td>Head of Finance and Assets &amp; S151 at North Norfolk</td>
</tr>
<tr>
<td>Julie Cook</td>
<td>✓</td>
<td></td>
<td>Head of HR at Great Yarmouth (Previous similar post at North Norfolk)</td>
</tr>
<tr>
<td>Karen Sly</td>
<td>✓</td>
<td></td>
<td>Finance Director &amp; S151 at Great Yarmouth (Previous Head of Finance at North Norfolk)</td>
</tr>
<tr>
<td>Hamish Melville</td>
<td>✓</td>
<td></td>
<td>Head of Economic Development at Broadland DC</td>
</tr>
<tr>
<td>Jill Penn</td>
<td>✓</td>
<td></td>
<td>Head of Finance and Revenues &amp; S151 at Broadland (currently also S17 Officer for Broads Authority until 31/03/2017)</td>
</tr>
<tr>
<td>Emma Krelle</td>
<td>✓</td>
<td></td>
<td>Head of Finance at Broads Authority</td>
</tr>
<tr>
<td>Fiona Dodimead</td>
<td>✓</td>
<td></td>
<td>Director of Audit, TIAA</td>
</tr>
<tr>
<td>Debbie Lorimer</td>
<td></td>
<td></td>
<td>Director of Business Development and until recently S151 Officer at South Norfolk</td>
</tr>
<tr>
<td>Simon Bessey</td>
<td>✓</td>
<td></td>
<td>Finance Manager at South Norfolk</td>
</tr>
<tr>
<td>Greg Pearson</td>
<td>✓</td>
<td></td>
<td>Corporate Improvement and Performance Manager at Breckland and South Holland DC</td>
</tr>
<tr>
<td>Alison Chubbock</td>
<td>✓</td>
<td></td>
<td>Chief Accountant, Breckland and Holland DC</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>2</td>
<td>9</td>
</tr>
</tbody>
</table>

Online Survey
We issued an online survey to 36 senior managers on 4\textsuperscript{th} January 2017 and to the seven audit committee chairs on 6\textsuperscript{th} January 2017. We received 19 and four responses respectively.
Finance, Resources, Audit and Governance Committee and Full Council
10 March 2017 and 15 May 2017

Agenda Item 11


Report of the Internal Audit Consortium Manager
Cabinet Member: Cllr Michael Edney, Resources

CONTACT
Emma Hodds, 01508 533791
ehodds@s-norfolk.gov.uk
Introduction

1.1 This report is to update members of the work of the Finance, Resources, Audit and Governance Committee for 2016.

2. Background

2.1 South Norfolk Council’s Finance, Resources, Audit and Governance Committee has been in operation since 2012, and this is the third annual report of the Committee.

2.2 This annual report will look back on the meetings held in 2016, and the activity of the Committee during this time.

3. Current Position/Findings

3.1 The Terms of Reference of the Committee are well established in the Council’s Constitution, and the key features include reviewing:

- The draft and final statement of accounts;
- The external auditors report on the statement of accounts;
- The Head of Internal Audit’s annual report and opinion, including the effectiveness of the internal audit service;
- The internal auditors plans and progress against these; and
- The external auditors plans.

The Committee is also required to approved the statement of accounts and the annual governance statement.

3.2 The Committee has met formally on four occasions. Member attendance is high, with the Portfolio Holder for Resources also attending the meetings of the Committee. There is a consistent strong officer attendance throughout the year, with regular representation from Accounts, Internal Audit and the Council’s External Auditors.
3.3 The Committee also ensure that it operates to the highest standards, and with that in mind a self-assessment is undertaken against best practice. The Committee assessed itself at the March 2016 meeting, with full compliance to the standards being concluded. In addition a work programme is in place which is reviewed and discussed at each formal meeting. In line with good practice a pre-agenda meeting is also held between the Chair of the Committee and key officers who will be presenting reports at the upcoming meeting. The Committee also has the option to meet informally, this was undertaken on one occasion during 2016.

3.4 Overview of the key items considered and reviewed during the year.

3.5 Statement of Accounts 2015/16 and Annual Governance Statement

An informal meeting was held to review the draft statement of accounts, following the formal meeting in June 2016. This provided members with the opportunity to go through the accounts in detail and resolve any detailed queries that they had. The audited statement of accounts for 2015/16 were presented to the Committee in July 2016, during which representatives from the Norfolk Pension Fund informed Members of the pension fund and how transactions relating to this were reported through the Statement of Accounts and the relevant notes to the Accounts. As the accounts were in the final stages of being finalised the minor adjustments to the accounts were noted and delegated authority was given to the Accountancy Manager to make any further adjustments. Due to the timing of meetings it was also agreed to delegate to the Chair and the Section 151 Officer authority to sign the letter of representation.

At this meeting the Annual Governance Statement was also considered by the Committee and approved for signature by the Chief Executive and Leader.

3.6 Internal Audit

On an annual basis the Committee reviews and recommends that Cabinet approves the Strategic and Annual Internal Audit Plans for the forthcoming year. The Committee also receives regular updates in relation to the progress of the completion of the annual plan and updates on the implementation of audit recommendations raised on conclusion of the audit reviews. Finally at the end of the financial year the Annual Report and Opinion of the Internal Audit Consortium Manager is considered by the Committee in terms of the conclusion made in relation to the adequacy and effectiveness of the Council’s governance, risk management and control framework.

3.7 External Audit
Throughout the financial year the Committee has received reports from the Council’s External Auditors; Ernst Young. The Committee are provided with the plan of work in March, and the results of this are then reported through to the Committee in July within the Audit Results Report and Opinion, alongside the statement of accounts reported by the Accounts Team. Finally the Annual Audit Letter is provided to the Committee, which summarised all work carried out within the year and confirms the opinion reached.

The outcome from the certification of claims and returns (Housing Benefit Subsidy) is also reported through to the Committee. In addition Ernst Young provide quarterly local government briefing notes for the Committee, which highlights areas and developments which the Committee need to be aware of.

3.8 Asset Management Plan 2017
In November 2016 the Committee received the updated Asset Management Plan for 2017, which have been reviewed and redrafted since its adoption by Cabinet in 2014. The draft plan was supported, prior to it being presented to Cabinet in 2017.

3.9 Local Government Ombudsman Report 2016
This was the first time the Committee received such a report, which summarised the Council’s approach to dealing with complaints, including those which had been referred to the Local Government Ombudsman (LGO) in 2016. The content of the report was noted and it was also agreed to have this as a standing annual item.

4. Proposals

4.1 This report looks back over the 2016 year and has reported on the range of reports that have been brought to the Committee’s attention. The report highlights the breadth of information that is received by the Committee both formally and informally in ensuring that the Committee carries out its terms of reference.

5. Risks and implications arising

5.1 Not applicable to this report.
6. Recommendation

6.1 That members note the contents of the Annual Report, and that it is taken forward to Full Council.
FRAG Work Programme

24/04/2017  Code of Corporate Governance  Emma Goddard  FORMAL
Procurement Strategy  Ian Purdom  FORMAL
Commercialisation Strategy  Debbie Lorimer  FORMAL
Commercial Property Strategy  Chris H / Debbie  FORMAL
Residential Strategy  Debbie Lorimer  FORMAL
Supplementary documents to the Asset Management Plan  Debbie Lorimer  FORMAL
Rules for Financial Governance  Peter / Debbie  FORMAL
Contract Standing Orders  Ian Purdom  FORMAL

23/06/2017  Internal Audit Activity Report  Emma Hodds  FORMAL
Internal Audit Follow Up Report  Emma Hodds  FORMAL
Internal Audit Consortium Manager's Annual Report and Opinion for 2016/17, including Review of the Effectiveness of Internal Audit  Emma Hodds  FORMAL
Draft Annual Governance Statement 2016/17  Peter Catchpole  INFORMAL
Review of Draft Statement of Accounts 2016/17  Peter Catchpole  INFORMAL
Self Assessment of the FRAG Committee  Emma Hodds  FORMAL

28/07/2017  Statement of Accounts 2016-17  Peter Catchpole  FORMAL
Annual Governance Statement 2016-17  Peter Catchpole  FORMAL
Audit Results Report  External Audit  FORMAL
Annual Report on Counter Fraud Activity 2016/17 (if anything to report)  External Audit  FORMAL

24/11/2017  Internal Audit Activity Report  Emma Hodds  FORMAL
Internal Audit Follow Up Report  Emma Hodds  FORMAL
Annual Audit Letter  External Audit  FORMAL
Asset Management Plan  Renata Garfoot  FORMAL

Mar-18  Certification of Claims & Returns Annual Report 15/16  External Audit  FORMAL
Internal Audit Activity Report  Emma Hodds  FORMAL
Strategic and Annual Internal Audit Plans 2017/18  Emma Hodds  FORMAL
Follow-up report on Early Help  Emma Hodds  FORMAL
Annual Report of FRAG Committee  Emma Hodds  FORMAL
External Audit Plan 16/17  External Audit  FORMAL