Finance, Resources, Audit and Governance Committee

Members of the Finance, Resources, Audit and Governance Committee:

Mr M Edney (Chairman)
Mrs K Billig
Mr L Dale
Mr D Goldson
Mr T Lewis
Mr T Palmer
Miss L Webster

If any member of the public wishes to speak on a non-confidential item, they may do so at the discretion of the Chairman

Agenda

Date
Friday 7 March 2014

Time
9.30 am

Place
Colman Room
South Norfolk House
Swan Lane
Long Stratton Norwich
NR15 2XE

Contact
Sue Elliott
tel (01508) 533663
South Norfolk District Council
Swan Lane
Long Stratton Norwich
NR15 2XE

Email: democracy@s-norfolk.gov.uk
Website: www.south-norfolk.gov.uk

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
A G E N D A

1. To report apologies for absence and identify substitute voting members (if any);

2. Any items of business the Chairman decides should be considered as matters 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 tem should be considered as a matter of urgency;

3. To Receive Declarations of Interest from Members;
   (Please see guidance form and flow chart attached – page 10)

4. Minutes of the meeting of the Finance, Resources, Audit and Governance Committee held on 26 September 2013;  
   (attached – page 12)

5. Certification of Claims and Returns Annual Report for 2012/13;  
   (attached page - 17)  
   (9.40 am)

6. External Audit Plan 2013/14;  
   (attached page - 27)  
   (9.45 am)

7. Progress Report on Internal Audit Activity, 7 September 2013 to 21 February 2014;  
   (10.00 am)  
   (attached – page 46)

8. Internal Audit’s Charter, Strategic and Annual Audit Plans and Summary of Internal Audit Coverage for 2014/15;  
   (to follow)  
   (10.20 am)

   (10.40 am)  
   (attached page - 89)

10. Progress on Internal Audit Procurement;  
    (verbal update)  
    (10.55 am)
11. **Working Protocol between Internal and External Audit for 2013/14 and 2014/15**; (11.00 am) (attached page - 95)

12. **Mazars**; (11.10 am) (verbal update)

13. **Local Audit and Accountability Act**; (11.15 am) (attached page - 114)

14. **Finance, Resources, Audit & Governance Committee Work Programme**; (11.30 am) (attached page - 120)
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.

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 and Broadland 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.

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

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.
LGR - Local Government Reorganisation – the process to redesign how public services operate within Norfolk Councils, through either a single tier (one large council) or multiple tier (2 or more councils) structure

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

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

NNDR – National Non-Domestic Rates – commonly known as Business Rates

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

RAD - Rent Assisted Deposit scheme.

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

RSS – Regional Spatial Strategies – this sets out the overall regional framework for planning development to inform the local development framework.

SLA – Service Level Agreement – an agreement that sets out the terms of reference for when a service is provided 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

SUNDRY DEBTOR - A person who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NNDR. 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.

TOTAL PLACE – an initiative designed to review public services operating across a whole area, reducing duplication and encouraging involvement across a range of organisations.
**Audit Terminology**

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

**CAA** – *Comprehensive Area Assessment* – the approach adopted by the Audit Commission to evaluate the overall performance of Councils, suspended in 2010. The outcomes are recorded in the organisational assessment.

**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.

**KLOE** – *Key Lines of Enquiry* – these are the standard criteria used to review the council within the use of resources assessment.

**UOR** – *Use of Resources* – this is an assessment method used to review how the Council performs in managing its assets, finance, staffing etc. It informs the value for money conclusion on the accounts as well as comprehensive area assessments.

**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**

**BVACOP** – *Best Value Accounting Code of Practice* – outlines how Council should classify income and expenditure across different services

**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

**FRS** – *Financial Reporting Standards* – the underlying guidance for the Council’s accounting policies and treatment of balances

**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)

**HRA** – *the Housing Revenue Account* – the account used to record transactions related to the Council’s housing stock, closed at 31/3/10

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

**IFRS** – *International Financial Reporting Standards* – these are replacing financial reporting standards to provide general guidance for accounting treatment.

**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

**MTP** – *Medium Term Plan* – sets out the future forecast financial position of the Council

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

**SORP** – *Statement of Recommended Practice* – more detailed guidance on how Local Authorities should produce statements of accounts to ensure consistency

**SSAP** – *Statement of Standard Accounting Practice* – preceded the financial reporting standards in the UK, however until replacement some still remain operating.

**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

**IFRS1** - *First time adoption of IFRS* – sets out the procedures to follow when preparing the first IFRS statement of accounts

**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

**FLARE** – the system used by the environmental health team for their operations

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

**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

**Northgate** – the system used by the planning and housing teams at the Council
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

When declaring an interest at a meeting Members are asked to indicate whether their interest in the matter is pecuniary, or if the matter relates to, or affects a pecuniary interest they have, or if it is another type of interest. 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. 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.

<table>
<thead>
<tr>
<th>Have you declared the interest in the register of interests as a pecuniary interest? If Yes, you will need to withdraw from the room when it is discussed.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the interest directly:</td>
</tr>
<tr>
<td>1. affect yours, or your spouse / partner’s financial position?</td>
</tr>
<tr>
<td>2. relate to the determining of any approval, consent, licence, permission or registration in relation to you or your spouse / partner?</td>
</tr>
<tr>
<td>3. Relate to a contract you, or your spouse / partner have with the Council</td>
</tr>
<tr>
<td>4. Affect land you or your spouse / partner own</td>
</tr>
<tr>
<td>5. Affect a company that you or your partner own, or have a shareholding in</td>
</tr>
<tr>
<td>If the answer is “yes” to any of the above, it is likely to be pecuniary.</td>
</tr>
</tbody>
</table>

Please refer to the guidance given on declaring pecuniary interests in the register of interest forms. If you have a pecuniary interest, you will need to inform the meeting and then withdraw from the room when it is discussed. If it has not been previously declared, you will also need to notify the Monitoring Officer within 28 days.

<table>
<thead>
<tr>
<th>Does the interest indirectly affect or relate any pecuniary interest you have already declared, or an interest you have identified at 1-5 above?</th>
</tr>
</thead>
<tbody>
<tr>
<td>If yes, you need to inform the meeting. When it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is the interest not related to any of the above? If so, it is likely to be an other interest. You will need to declare the interest, but may participate in discussion and voting on the item.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you made any statements or undertaken any actions that would indicate that you have a closed mind on a matter under discussion? If so, you may be predetermined on the issue; you will need to inform the meeting, and when it is discussed, you will have the right to make representations to the meeting as a member of the public, but must then withdraw from the meeting.</td>
</tr>
</tbody>
</table>

FOR GUIDANCE REFER TO THE FLOWCHART OVERLEAF.
PLEASE REFER ANY QUERIES TO THE MONITORING OFFICER IN THE FIRST INSTANCE
DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

What matters are being discussed at the meeting?

Do any relate to an interest I have?

A  Have I declared it as a pecuniary interest?
OR
B  Does it directly affect me, my partner or spouse’s financial position, in particular:
   • employment, employers or businesses;
   • companies in which they are a director or where they have a shareholding of more than £25,000 face value or more than 1% of nominal share holding
   • land or leases they own or hold
   • contracts, licenses, approvals or consents

If you have not already done so, notify the Monitoring Officer to update your declaration of interests

The interest is pecuniary – disclose the interest, withdraw from the meeting by leaving the room. Do not try to improperly influence the decision.

The interest is related to a pecuniary interest. Disclose the interest at the meeting. You may make representations as a member of the public, but then withdraw from the room.

Does the matter indirectly affect or relate to a pecuniary interest I have declared, or a matter noted at B above?

The Interest is not pecuniary nor affects your pecuniary interests. Disclose the interest at the meeting. You may participate in the meeting and vote.

Have I declared the interest as an other interest on my declaration of interest form? OR
Does it relate to a matter highlighted at B that impacts upon my family or a close associate? OR
Does it affect an organisation I am involved with or a member of? OR
Is it a matter I have been, or have lobbied on?

You are unlikely to have an interest. You do not need to do anything further.
Certification of Claims and Returns Annual report for 2012/13

Head of Finance

The report attached in Appendix A, from EY the Council’s External Auditors, relates to the certification work for the Housing and Council Tax Benefit subsidy claim and the National Non-Domestic rates return for the financial year 2012/13.

Cabinet member(s): Garry Wheatley
Ward(s) affected: None

Contact Officer, telephone number, and e-mail: Debbie Lorimer 01508 533981 dlorimer@s-norfolk.gov.uk

1. Background

1.1. EY as the Council’s External Auditors are responsible for the audit of the Housing and Council Tax Benefit subsidy claim and the National Non-Domestic rates return. Members will be aware that this is the final Housing and Council Tax Benefit subsidy claim which will include Council Tax Benefit following the introduction of the Council Tax Support Scheme from 1 April 2013.

2. Current Position and Issues

2.1. The annual report from EY is attached in Appendix A. The summary section on page 4 of the appendix outlines the work undertaken by EY. In relation to the Housing and Council Tax Benefit subsidy claim the work 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.

2.2. As a result of the work the claims were amended as follows:

Housing and Council Tax Benefit subsidy claim
Original value of claim £34,515,257
Amended value of claim £34,510,804
Claim reduced by £4,453

Total number of claims processed or re-assessed during the year was nearly 43,000.
The reasons for the amendments are described on pages 4 and 5 of the appendix but in summary are due to input errors. No staff training issues were identified. Where testing identified errors these were extrapolated to reach the amount the claim was reduced by of £4,453.

2.3. The National Non-Domestic rates return of £26,656,583.81 was reduced by £843.17 as a result of an application form for a deferral of a rate increase not being traceable.

3. **Proposal and Reasons**

3.1. Members to note the attached report in Appendix A on the certification of the Housing and Council Tax Benefit subsidy claim and the National Non-Domestic rates return for 2012/13.

4. **Relevant Corporate Priorities**

4.1. Driving services through being businesslike, efficient and customer aware.

5. **Implications and Risks**

5.1. None

6. **Conclusion**

6.1. The certification work for the Housing and Council Tax Benefit subsidy grant claim identified errors which when extrapolated required an adjustment of £4,453 to the claim of £34,515,257 which dealt with nearly 43,000 new and re-assessed claims.

6.2. The National Non-Domestic rates return of £26,656,583.81 was reduced by £843.17.

7. **Action Required**

7.1. To note the report attached in Appendix A.
Dear Member

Certification of claims and returns annual report 2012-13
South Norfolk District Council

We are pleased to report on our certification work. This report summarises the results of our work on South Norfolk District Council's 2012-13 claims and returns.

Scope of work

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

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims
and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s 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.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified two claims and returns with a total value of £61.2 million. We met all submission deadlines. We issued one qualification letter for the housing benefit claim. Details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the March 2014 Finance, Resources, Audit and Governance Committee

Yours faithfully

R Murray
Director
Ernst & Young LLP

Enc
Certification of claims and returns annual report 2012-13

Contents

1. Summary of 2012-13 certification work .................................................. 4
2. 2012-13 certification fees ........................................................................ 6
3. Looking forward ......................................................................................... 7
4. Summary of recommendations ................................................................. 8
1. Summary of 2012-13 certification work

We certified two claims and returns in 2012-13. The main findings from our certification work are provided below.

Housing and council tax 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>£34,515,257</td>
</tr>
<tr>
<td>Limited or full review</td>
<td>Full</td>
</tr>
<tr>
<td>Amended</td>
<td>Amended - subsidy reduced by £4,453</td>
</tr>
<tr>
<td>Qualification letter</td>
<td>Yes</td>
</tr>
<tr>
<td>Fee - 2012-13</td>
<td>£33,758*</td>
</tr>
<tr>
<td>Fee - 2011-12</td>
<td>£41,045</td>
</tr>
<tr>
<td>Recommendations from 2011-12</td>
<td>Findings in 2012-13</td>
</tr>
<tr>
<td>None</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Subject to Audit Commission approval

Councils run the Government’s housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme 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+’ testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out extended testing in several areas.

Extended ‘40+’ testing and other testing identified errors which the Council amended. The errors had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors to the DWP in a qualification letter. The following are the main issues included in our qualification letter:

- Our testing of rent allowances identified one case where the Council had overpaid benefit as a result of the system incorrectly deducting national insurance on a self-employment assessment through incorrect reference to a previous assessment. The error was extrapolated and reported in the qualification letter in accordance with DWP requirements.

- Our testing of rent allowances identified one case where the Council overpaid benefit as a result of incorrectly inputting the national insurance into the benefits system. The error was extrapolated and reported in the qualification letter in accordance with DWP requirements.

The Council uses the CIVICA benefits system, which provides a method for the Council to reconcile benefit granted to benefit paid. However, the benefit granted figures for rent allowance and council tax benefit in the claim form differed from the benefit granted figures used in the reconciliation. The differences have arisen because the Council has undertaken a review of the individual cells on the subsidy claim prior to its submission and made a number of resulting manual amendments to the subsidy claim. Whilst the Council has successfully performed the software supplier’s standard reconciliation, as there is a difference between this reconciliation and the benefit granted figure on the benefit claim form, in line with DWP guidance, we were required to report the differences to the DWP in a qualification letter.
Our testing of rent allowances identified two cases where the effective dates of a change made to the claim had been incorrectly applied resulting in the overpayment being incorrectly classified and one case where entitlement had been incorrectly calculated, resulting in the overpayment being overstated. The error was extrapolated and reported in the qualification letter in accordance with DWP requirements.

In addition to the qualification letter points noted, above, a number of other amendments were made to the housing benefit claim, which in total reduced the overall amount due to the Council by £4,453. The following are the main issues noted from our work which resulted in amendment to the claim:

- The initial sample of 17 cases of Non-HRA Rent Rebates identified one case that had been incorrectly classified as non-self-contained. A review was undertaken of all of the remaining cases in the cell and two further mis-classifications were identified. This amendment has no impact on the total subsidy claimed.

- A review of the manual amendments made to the claim identified that adjustments that had been determined by the Council as requiring amendment were omitted from the claim or incorrectly recorded on the claim.

### National non-domestic rates return

<table>
<thead>
<tr>
<th>Scope of work</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of return presented for certification</td>
<td>£26,656,583.81</td>
</tr>
<tr>
<td>Limited or full review</td>
<td>Full</td>
</tr>
<tr>
<td>Amended</td>
<td>Yes – claim reduced by £843.17</td>
</tr>
<tr>
<td>Qualification letter</td>
<td>No</td>
</tr>
<tr>
<td>Fee - 2012-13</td>
<td>£2,610</td>
</tr>
<tr>
<td>Fee - 2011-12</td>
<td>£6,440</td>
</tr>
<tr>
<td>Recommendations from 2011-12:</td>
<td>Findings in 2012-13</td>
</tr>
<tr>
<td>None</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

Testing of a sample of 25 applications for deferrals of rate increases in 2013/14 failed to locate one of the applications. In accordance with the certification instructions, a further sample of 25 applications was tested and no further errors were identified. An amendment of £843.17 was made to the claim to reflect the impact of this error.

We certified the amended amount payable to the pool without qualification.
2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for South Norfolk District Council for 2012-13 was £28,550. The actual fee for 2012-13, subject to Audit Commission approval, is £36,368 (subject to Audit Commission approval). This compares to a fee of £47,485 in 2011-12.

As noted in our comments relating to the housing benefit claim, we are proposing an additional fee for changes in scope of our audit on the housing benefit and council tax benefit claim, due to extended testing as a result of errors identified both from our initial sample and residual errors from previous year’s claims. The additional testing was undertaken by EY staff. If Council officers performed this testing then there would be scope for savings in future audit fees for this claim.

We have discussed our final fee variation with officers. The additional fee is subject to final Audit Commission approval.

<table>
<thead>
<tr>
<th>Claim or return</th>
<th>2011-12</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual fee</td>
<td>2011-12 fee less 40% reduction</td>
<td>Indicative fee</td>
<td>Actual fee</td>
</tr>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Housing and council tax benefits subsidy claim</td>
<td>£41,045</td>
<td>£24,627</td>
<td>£25,940</td>
<td>£33,758*</td>
</tr>
<tr>
<td>National non-domestic rates return</td>
<td>£6,440</td>
<td>£3,864</td>
<td>£2,610</td>
<td>£2,610</td>
</tr>
<tr>
<td>Total</td>
<td>£47,485</td>
<td>£28,491</td>
<td>£28,550</td>
<td>£36,368*</td>
</tr>
</tbody>
</table>

* Subject to Audit Commission approval

Fees reduced overall compared to 2011-12 because of the Audit Commission’s 40% reduction. However, after allowing for the 40% reduction the difference in fees was in relation to the additional work required on the housing benefit claim:

- **Housing and council tax benefits claim**
  The 2012-13 indicative fee was £1,313 higher than the 2011-12 adjusted fee and was calculated based on the 2010-11 actual fee by the Audit Commission when setting the 2012-13 scale fees. Our sample, which was randomly selected, identified errors which required amendment and extended ‘40+’ testing. This testing was performed by external audit and additional time was incurred as a result. Please refer to section 1 for details.
3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £24,600. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link:

http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements for individual claims and returns. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.
South Norfolk District Council

Year ending 31 March 2014

Audit Plan

24 February 2014
DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES
Dear Members,

**Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Finance, Resources, Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2014 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee’s service expectations.

This report summarises our assessment of the key risks which drive 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 report with you on 7 March 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Rob Murray  
Director  
For and behalf of Ernst & Young LLP

Enc
Contents

1. Overview ........................................................................................1
2. Financial Statement Risks ............................................................3
3. Economy, Efficiency and Effectiveness .......................................5
4. Our audit process and strategy ....................................................6
5. Independence .............................................................................. 10
Appendix A Fees ............................................................................ 13
Appendix B UK required communications with those charged with governance ...............................................14

In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and audited bodies’ (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission’s website.

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission’s 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (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 Members of the audited body, and is prepared for their sole use. 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**

1.1 **Context for the audit**

This audit plan covers the work that we plan to perform in order to provide you with:

- Our audit opinion on whether the financial statements of South Norfolk District Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and

- A statutory 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 your Whole of Government Accounts return.

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

- Management’s views on all of the above

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

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

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks.

We will provide an update to the Finance, Resources, Audit and Governance Committee on the results of our work in our report to those charged with governance scheduled for delivery in August 2014.
1.2 Our process and strategy

1.2.1 Financial statement audit

We carry out an initial assessment of materiality using the audited financial statements for 2012/13 but will update this when we receive the draft financial statements. We will report unadjusted misstatements identified except those that are “clearly trivial” to the Finance, Resources, Audit and Governance Committee.

We will seek to rely on controls where this is possible and represents the most efficient approach to our audit.

To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of Internal Audit wherever possible. We have shared information with Internal Audit on key controls and sample sizes.

We are pleased to report that there are no changes proposed to the Audit Director and Audit Manager for 2013/14

1.2.2 Arrangements for securing economy, efficiency and effectiveness (value for money conclusion)

We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.
2. Financial Statement Risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing the Council, identified through our knowledge of the entity’s operations and discussion with Members and officers.

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

<table>
<thead>
<tr>
<th>Significant risks</th>
<th>Our audit approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property, Plant and Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>The Council has implemented a new fixed asset system. The new system will be used to produce valuation details for fixed assets in 2013/14.</td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td></td>
<td>► Reliance on management experts.</td>
</tr>
<tr>
<td></td>
<td>► Reliance on auditor experts.</td>
</tr>
<tr>
<td></td>
<td>► Tests of detail as required.</td>
</tr>
<tr>
<td><strong>Business rates appeals provision</strong></td>
<td></td>
</tr>
<tr>
<td>The new arrangements for the retention of business rates came into effect on 1 April 2013. From this date, the Council will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts that were paid to Central Government in 2012/13 and previous years. As appeals are made to the Valuation Office, councils may not be aware of the level of claims. Councils may also find it difficult to obtain sufficient information to establish a reliable estimate.</td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td></td>
<td>► reviewing the Council’s provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37; and</td>
</tr>
<tr>
<td></td>
<td>► ensuring the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.</td>
</tr>
<tr>
<td><strong>Collection Fund disclosure and accounting for business rates and council tax benefit</strong></td>
<td></td>
</tr>
<tr>
<td>The new arrangements for the retention of business rates and local council tax schemes came into effect on 1 April 2013. The accounting and disclosure requirements for the collection fund are not yet clear and this therefore presents a risk in terms of the financial statements.</td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td></td>
<td>► reviewing the detailed accounting for business rates and council tax benefit to ensure the Council’s financial statements are materially accurate and compliant with the CIPFA Code of practice.</td>
</tr>
<tr>
<td><strong>Risk of management override</strong></td>
<td></td>
</tr>
<tr>
<td>As identified in ISA (UK &amp; Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records 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>Our approach will focus on:</td>
</tr>
<tr>
<td></td>
<td>► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and</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>
</tbody>
</table>
Other financial statement risks

Our audit approach

System changes

Our planning work has identified that the Council has transferred the payroll system in 2013/14. This presents a risk in terms of the completeness and accuracy of data transfer between the two systems.

Our approach will focus on:
► utilising the work of internal audit where possible;
► reviewing the integrity of the transfer of payroll data system; and
► performing substantive work on the relevant systems and key processes.

Transfer of CNC

The Council has taken on responsibility for CNC from 1 April 2013. This has included the transfer of CNC data to the Council’s general ledger.

Our approach will focus on:
► utilising the work of internal audit where possible; and
► performing substantive work on CNC balances as required.

Respective responsibilities in relation to 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 put in place 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.
► Inquiry of management about risks of fraud and the controls put in place 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 those identified risks of fraud.
► Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.
3. Economy, Efficiency and Effectiveness

Our work will focus on:

► Whether there are proper arrangements in place for securing financial resilience at South Norfolk District Council; and

► Whether there are proper arrangements in place at South Norfolk District Council to secure economy, efficiency and effectiveness in the use of resources.

We have undertaken our risk assessment and have not identified any significant risks. The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

<table>
<thead>
<tr>
<th>Other risks</th>
<th>Impacts arrangements for securing:</th>
<th>Our audit approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pressures from economic downturn</strong></td>
<td>Economy, efficiency and effectiveness</td>
<td>Our approach will continue to focus on:</td>
</tr>
<tr>
<td></td>
<td>Financial resilience</td>
<td>► The adequacy of the Council’s budget setting process.</td>
</tr>
<tr>
<td>To date the Council has responded well to the</td>
<td></td>
<td>► The robustness of any assumptions.</td>
</tr>
<tr>
<td>financial pressure resulting from the</td>
<td></td>
<td>► The effective use of scenario planning to assist the budget setting process.</td>
</tr>
<tr>
<td>continuing economic downturn.</td>
<td></td>
<td>► The effectiveness of in year monitoring against the budget.</td>
</tr>
<tr>
<td>However, the Comprehensive Spending Review will</td>
<td></td>
<td>► The Council’s approach to prioritising resources.</td>
</tr>
<tr>
<td>continue to impact on the Council’s budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and medium term financial planning during</td>
<td></td>
<td></td>
</tr>
<tr>
<td>current and forthcoming financial years</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Localisation of business rates</strong></td>
<td>Economy, efficiency and effectiveness</td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td></td>
<td>Financial resilience</td>
<td>► Whether outcomes of the new arrangements are in line with the Council’s plan and</td>
</tr>
<tr>
<td>From April 2013, the Council will be able to</td>
<td></td>
<td>the impact on the Council’s Budget.</td>
</tr>
<tr>
<td>retain some of its income from local business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rates rather than paying the full amount back</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to central government. This localisation of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>business rates will impact upon the Council’s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>income levels.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Approach to local council tax support</strong></td>
<td>Economy, efficiency and effectiveness</td>
<td>Our approach will focus on:</td>
</tr>
<tr>
<td></td>
<td>Financial resilience</td>
<td>► The outcomes from the development and implementation of LCTS.</td>
</tr>
<tr>
<td>The Local Council Tax Support (LCTS) scheme</td>
<td></td>
<td>► How the Council’s move to LCTS has impacted on the budget setting process.</td>
</tr>
<tr>
<td>will take effect from April 2013. This will</td>
<td></td>
<td></td>
</tr>
<tr>
<td>require the Council to set locally appropriate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>levels of council tax support. The move to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LCTS represents a significant change for the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Council and brings both financial and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>reputational risks.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission’s Code of Audit Practice (‘the Code’), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council’s:

► financial statements; and
► arrangements for securing economy, efficiency and effectiveness in its use of resources

We issue a two-part audit report covering both of these objectives.

4.1.2 Financial statement audit

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

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

4.1.3 Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council’s corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

► Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
► Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Our audit involves:

► Assessing the key internal controls in place and testing the operation of these controls
► Review and re-performance of the work of Internal Audit
► Reliance on the work of other auditors where appropriate
► Reliance on the work of experts in relation to areas such as pensions and property valuations
► Substantive tests of detail of transactions and amounts.
4.2.1 Processes
Our initial assessment of the key procedures across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

► Accounts receivable
► Accounts payable
► Housing benefits and council tax benefits
► Council tax income
► Business rates income

Property, plant and equipment, payroll (including pensions), financial statement close processes including journals, investments, treasury management and cash balances will be tested substantively at year end.

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

► Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
► 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.

4.2.3 Internal audit
As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

4.2.4 Use of experts
We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions and valuations.

4.2.5 Mandatory procedures
In addition to the financial statement risks outlined in section 2, we have to 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.

Mandatory procedures required by auditing standards on:

► 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; and

► Auditor independence.

**Procedures required by the Code on:**

► Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report;

► Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO; and

► Reviewing, and where appropriate, examining evidence that is relevant to the Council’s corporate performance management and financial management arrangements and reporting on these arrangements.

### 4.3 Materiality

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

We have not yet finalised our overall materiality for the Council’s financial statements, but this will be set in the range of between £583,490 and £1,166,980 based on 1% - 2% of gross operating expenditure. We will communicate our final materiality levels to Members at a future committee meeting. We will communicate uncorrected audit misstatements greater than £58,349 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 of the circumstances that may ultimately influence our judgement about materiality. 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 accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

### 4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of South Norfolk District Council is £67,032.

### 4.5 Your audit team

The engagement team is led by Rob Murray who has significant experience of the Council’s audit. Rob is supported by Tina Meyer who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Head of Finance. Mark Russell will supervise the on-site audit team, is the key point of contact for the finance team and is responsible for raising and discussing emerging issues with officers.

### 4.6 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; and the deliverables we have agreed to provide to you through the Finance, Resources, Audit and Governance Committee.
cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission’s rolling calendar of deadlines.

We will provide a formal report to the Finance, Resources, Audit and Governance Committee in August 2014, incorporating the outputs of our year-end procedures. 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 Finance, Resources, Audit and Governance Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

<table>
<thead>
<tr>
<th>Audit phase</th>
<th>Timetable</th>
<th>Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level planning</td>
<td>January 2013</td>
<td>Audit Fee letter</td>
</tr>
<tr>
<td>Risk assessment and setting of scopes</td>
<td>February - March 2014</td>
<td></td>
</tr>
<tr>
<td>Testing of routine processes and controls</td>
<td>February - March 2014</td>
<td>March 2014 Audit Plan</td>
</tr>
<tr>
<td></td>
<td>June 2014</td>
<td>Interim results report (where appropriate)</td>
</tr>
<tr>
<td>Year-end audit including WGA</td>
<td>June - July 2014</td>
<td></td>
</tr>
<tr>
<td>Reporting</td>
<td>July 2014</td>
<td>July 2014 Report to those charged with governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit completion certificate</td>
</tr>
<tr>
<td>Reporting</td>
<td>October 2014</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 upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of 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>Required communications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning stage</strong></td>
</tr>
<tr>
<td>► The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between the you, your affiliates and directors and us;</td>
</tr>
<tr>
<td>► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</td>
</tr>
<tr>
<td>► The overall assessment of threats and safeguards;</td>
</tr>
<tr>
<td>► Information about the general policies and process within EY to maintain objectivity and independence.</td>
</tr>
<tr>
<td><strong>Final stage</strong></td>
</tr>
<tr>
<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>► Details of non-audit services provided and the fees charged in relation thereto;</td>
</tr>
<tr>
<td>► Written confirmation that we are independent;</td>
</tr>
<tr>
<td>► Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</td>
</tr>
<tr>
<td>► An opportunity to discuss auditor independence issues.</td>
</tr>
</tbody>
</table>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, 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 services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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, analysed in appropriate categories, are disclosed.
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 the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

5.2.1 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 you. 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 you have approved and that are in compliance with the Audit Commission’s Standing Guidance. 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 you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

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

5.2.2 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 self review threats at the date of this report.

5.2.3 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 in relation to which management is required to make judgements or decision based on that work.

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

5.2.4 Other threats

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

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

5.2.5 Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Rob Murray, your audit engagement partner 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 in place 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 28 June 2013 and can be found here:

UK 2013 Transparency Report
Appendix A  Fees

<table>
<thead>
<tr>
<th></th>
<th>Planned Fee 2013-14</th>
<th>Actual Fee 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Fee – Code work</td>
<td>£67,032</td>
<td>£73,409</td>
</tr>
</tbody>
</table>

Explanation of variance
The 2012/13 actual fee includes additional fees of £6,377 in respect of additional work required for the 2012/13 audit.

Certification of claims and returns | £24,600 | £24,600 |

Explanation of variance
The 2013/14 planned fee is set by the Commission based on the fee charged for 2011/12, adjusted to reflect the overall 40% reduction in fees and the reduction in the number of claims that require auditing. We are proposing an additional fee of £7,818 for additional work required for our 2012/13 audit on the housing benefit and council tax benefit claim. This is still subject to Audit Commission approval, and is not reflected in the figure shown here.

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

► Officers meeting the agreed timetable of deliverables;
► We are able to place reliance, as planned, on the work of internal audit;
► The level of risk in relation to the audit of accounts in consistent with that in the prior year;
► No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
► Our accounts opinion and use of resources conclusion being unqualified;
► Appropriate quality of documentation is provided by the audited body; and
► 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 you 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.
### 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 of audited clients. 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>Audit plan</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>Report to those charged with governance</td>
</tr>
<tr>
<td>► Our view about the significant qualitative aspects of accounting practices 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 management</td>
<td></td>
</tr>
<tr>
<td>► Written representations that we are seeking</td>
<td></td>
</tr>
<tr>
<td>► Expected modifications to the auditor’s 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>Report to those charged with governance</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>Report to those charged with governance</td>
</tr>
<tr>
<td>► Enquiries of the Finance, Resources, Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</td>
<td></td>
</tr>
<tr>
<td>► Any fraud that we have identified or information we have obtained that indicates 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>Report to those charged with governance</td>
</tr>
<tr>
<td>Significant matters arising during the audit in connection with the entity’s related 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>Required communication</td>
<td>Reference</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td><strong>External confirmations</strong></td>
<td>Report to those charged with governance</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>Report to those charged with governance</td>
</tr>
<tr>
<td>► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</td>
<td></td>
</tr>
<tr>
<td>► Enquiry of the Finance, Resources, Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Resources, Audit and Governance Committee may be aware of</td>
<td></td>
</tr>
<tr>
<td><strong>Independence</strong></td>
<td>Audit plan</td>
</tr>
<tr>
<td>Communication of all significant facts and matters that bear on EY’s objectivity and independence</td>
<td>Report to those charged with governance</td>
</tr>
<tr>
<td>Communication of key elements of the audit engagement partner’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>For listed companies, communication of minimum requirements as detailed in the ethical standards:</td>
<td></td>
</tr>
<tr>
<td>► Relationships between EY, the audited body and senior management</td>
<td></td>
</tr>
<tr>
<td>► Services provided by EY that may reasonably bear on the auditors’ objectivity and independence</td>
<td></td>
</tr>
<tr>
<td>► Related safeguards</td>
<td></td>
</tr>
<tr>
<td>► Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</td>
<td></td>
</tr>
<tr>
<td>► A statement of compliance with the ethical standards</td>
<td></td>
</tr>
<tr>
<td>► Those charged with governance should also be provided an opportunity to discuss matters affecting auditor independence</td>
<td></td>
</tr>
<tr>
<td><strong>Going concern</strong></td>
<td>Report to those charged with governance</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>
</tbody>
</table>
UK required communications with those charged with governance

<table>
<thead>
<tr>
<th>Required communication</th>
<th>Reference</th>
</tr>
</thead>
</table>
| ▶ Whether the events or conditions constitute a material uncertainty  
▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements  
▶ The adequacy of related disclosures in the financial statements | Report to those charged with governance |
| **Significant deficiencies in internal controls identified during the audit** | Report to those charged with governance |
| **Certification work**  
▶ Summary of certification work undertaken | Annual Report to those charged with governance summarising grant certification and Annual Audit Letter if considered necessary |
| **Fee Information**  
▶ Breakdown of fee information at the agreement of the initial audit plan  
▶ Breakdown of fee information at the completion of the audit | Audit plan  
Report to those charged with governance and Annual Audit Letter if considered necessary |
Progress Report on Internal Audit Activity, 7 September 2013 to 21 February 2014

Deputy Audit Manager

This report examines progress made between 7 September 2013 and 21 February 2014 in relation to delivery of the Annual Audit Plan for 2013/14, and includes abbreviated management summaries in respect of the audit reviews which have been finalised in the course of this period.

### Cabinet member(s):
Garry Wheatley

### Ward(s) affected:
All

### Contact Officer, telephone number, and e-mail:
Emma Hodds 01508 533791 ehodds@s-norfolk.gov.uk

1. **Background**

1.1. The Accounts and Audit Regulations 2011 require that the Council must undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal controls. To assist the authority with fulfilling this responsibility, this Progress Report, the second to be generated in year, comments on the results of our work for the period 7 September 2013 to 21 February 2014, in relation to the approved Annual Internal Audit Plan for 2013/14, which was approved by the Financial Resources, Audit and Governance Committee on 7 March 2013.

1.2. The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013, also require that this Committee receives regular communications regarding Internal Audit’s performance in relation to the Annual Audit Plan. This report therefore seeks to meet this requirement and ensure that independence and objectivity (Standard 1100) is maintained.

2. **Current Position and Issues**

2.1. **Amendments to the Annual Audit Plan**

2.1.1. Since the approval of the Annual Audit Plan and the report provided to members in September 2013 there have been two further revisions to the timing of audits:

- The Business Improvement audit (SNC/14/03) had been postponed from June to November, however subsequent discussions have highlighted that
the audit should now be deferred to 2014/15 to ensure that the recent restructuring of the team is allowed to become fully embedded and new staff fully settled into their respective roles prior to the audit commencing. It has thus been agreed with management and the Section 151 Officer that this audit will feature instead in the 2014/15 annual audit plan. The Network Security, Infrastructure and Telecoms Management audit (SNC/14/20) which was previously agreed would be postponed to January was further slightly delayed to February. During the Computer Audit Needs Assessment it was highlighted that a telephony project is currently underway and therefore it was beneficial to defer this aspect of the review to 2015/16 following completion of the project thereby enabling a more value added audit. It was agreed that a separate audit of Virtualisation would be undertaken instead. This has resulted in 2 audits being undertaken in February; Network Security and Infrastructure (SNC/14/20) and Virtualisation (SNC/14/22, however no extra days have been incurred in consequence; the original 22 days have been split accordingly between the 2 audits.

2.1.2 There has also been an increase in the job budget, to accommodate a review of Corporate Governance arrangements (SNC/14/13). Initially, we had planned to undertake an 8 day audit of current provisions, However, after discussion of the scope of this audit with the Deputy Chief Executive and the Compliance and Risk Manager, it was agreed that the job budget should be expanded from 8 to 10 days to enable more in-depth scrutiny of decision making processes as they affect members and officers, the quality of reports being prepared, linkage of decisions to the delivery of the authority’s overarching vision and corporate objectives, the management of staff restructuring exercises, compliance with ethical standards and maintenance of the authority’s assurance framework. These revised requirements and the need to increase the number of days to support their examination were also discussed with the Section 151 Officer and subsequently approved.

2.1.3 All revisions to the Annual Audit Plan were discussed with management and the contractor, Mazars (previously Deloitte), at the start of the detailed audit planning stage for each programmed review and agreement obtained to instigate all of the above rescheduling’s.

2.1.3 The amended rescheduling of the work within the current year and the updated timetable for undertaking 2013/14 audit assignments is noted in Appendix 1 to this report.

2.2. Delivery of Programmed Audit Work in accordance with the Revised Annual Audit Plan

2.2.1 As demonstrated at Appendix 1, 180.5 days of programmed work has been completed at the time of writing the report. This figure equates to 76% of revised audit planned days earmarked for completion in 2013/14. The status of individual audits can be summarised thus:
Eight assignments have been completed and final reports issued (Audit Nos. SNC/14/06 Procurement, SNC/14/07 Environmental Health, SNC/14/09 CNC Building Control transfer to South Norfolk Council’s Financial Systems, SNC/14/10 Sundry Debtors, SNC/14/11 Accountancy Services, SNC/14/13 Review of Corporate Governance, SNC/14/14 Receipt, handling and banking of Remittances and SNC/14/15 Freedom of Information and Data Protection Act);

The final report has been issued in relation to the Computer Audit Needs Assessment (SNC/14/21);

Draft reports have been issued for 2 reviews (Audit Nos. SNC/14/08 Elections and Electoral Registration and SNC/14/17 Affordable Housing Initiatives);

Fieldwork is in progress for five audits (Audit Nos. SNC/14/16 Systems of Risk Management, SNC/14/18 Work to Support the AGS, SNC/14/19 Treasury Management, SNC/14/20 Network Security and Infrastructure and SNC/14/22 Virtualisation); and;

An audit brief has been drafted for the final assignment (SNC/14/12 Localism and Communities) with the fieldwork due to commence in March 2014.

2.3. **Outcomes of Work Undertaken**

2.3.1 With reference to work completed between 7 September 2013 and 21 February 2014, as mentioned above, we have been able to finalise eight audits during this period and their respective management summaries are attached at Appendix 2 to the report. We have also finalised the Computer Audit Needs Assessment during this period and the final report is attached at Appendix 3 to this report.

- **Procurement (SNC/14/06)**

  A good assurance was awarded on conclusion of this review to indicate that provisions in place now mirror best practice. This is indicative of the diligence and ongoing commitment by staff within Financial Services to completely overhaul and update operational practices, thereby considerably strengthening systems of internal control in this area. When procurement arrangements were initially assessed in 2009/10 an unsatisfactory opinion was awarded and upon further review in 2011/12 the opinion had only slightly improved to limited, whereas now there has been such a marked improvement noted that it has been possible to give a good audit opinion.

  This recent review highlights that the Council’s processes, systems and level of internal control within this area are now deemed to reflect best practice and no recommendations have been made on conclusion of the review.

- **Environmental Health Services (SNC/14/07)**
This review covered three distinct areas; Private Water Supplies, Licensing and Food Safety, hence three assurance opinions were awarded on conclusion of the review due to the differing findings and nature of work.

In relation to Private Water Supplies a good assurance opinion was awarded for this area; no recommendations were made and internal control is deemed to be good to ensure management of the associated risks.

With reference to Licensing 2 low priority recommendations were made in relation to a revised policy statement for Gambling and ensuring that licence fees are received in advance, culminating in an adequate assurance opinion.

The final area of review was Food Safety, against which a limited assurance opinion was provided, with one high and one medium recommendation being agreed. The recommendations related to ensuring that food hygiene inspection files are complete and accurate and that food safety inspections are undertaken in line with the schedule of visits as dictated by the Food Standards Agency.

- CNC Building Control transfer to South Norfolk Council’s Financial Systems (SNC/14/09)

On conclusion of this review an overall adequate audit opinion was awarded. A medium priority recommendation was raised to ensure that management seek assurance that validation checks have been put in place to verify the completeness and accuracy of the data transfer onto IDOX. The assurance level is also influenced by the high priority recommendation outstanding from the Small Bodies Return for 2012/13 which sought to establish that reconciliations between CNC Building Control and the Council’s General Ledger were completed.

- Sundry Debtors (SNC/14/10)

The results of this audit concluded that there has been improvement in the control environment within this system since the last review in 2011/12. Low priority recommendations were raised in the areas of “raising of sundry debtors, refunds and transfers”, “suspense items” and “outstanding debts”, all other areas under review had no recommendations raised, with an overall assurance opinion of adequate being awarded.

- Accountancy Services (SNC/14/11)

This audit covers key areas of the Accountancy function; Control Accounts, Banking / Bank Reconciliation, Asset Register, Budgetary Control, Journal Entries and Insurance arrangements. Upon conclusion of the review an adequate assurance opinion was awarded with 3 medium and 1 low priority recommendations being raised. The medium priority recommendations relate to the monthly checking of bank charges as part
of the bank reconciliation process, updating the FAM Asset Register and the Excel Asset Register with revaluations and establishing an annual review of access rights to the Integra system.

- Corporate Governance (SNC/14/13)

The control environment is deemed to be good in managing the risks associated with Corporate Governance that fall within the scope of this review. Areas of positive findings were noted on conclusion of the review and one low priority recommendation was raised in relation to the formal recording of declarations of interest. The recommendation was raised to ensure that a record is maintained whereby no interests are declared (as well as the current record of declarations of interest) in the matters being recorded, this is necessary to provide evidence that the Members have been made aware of their responsibilities to make such a declaration. Management have disagreed with the recommendation and although are accepting that this would provide evidence that this matter is covered on the agenda, it is proposed to continue with the established practice of the Council.

- Receipt, Handling and Banking of Remittances (SNC/14/14)

On conclusion of this review an adequate assurance opinion was awarded with 1 medium and 3 low priority recommendations being raised, indicating a consistent level of control since the last review. The medium priority recommendation relates to the need to ensure that independent reviews are carried out of daily fund reports and importing of bank transactions.

- Freedom of Information and Data Protection (SNC/14/15)

A good assurance opinion was awarded for both areas under review on conclusion of the audit. Each had a low priority recommendation raised to enhance existing controls in relation to supporting managers to identify data protection issues and supplementing current procedural guidance for processing FOI requests. It is worth noting that good assurances are rarely awarded on conclusion of audits, therefore this is a very positive achievement.

2.3.2 As mentioned above we have also concluded the Computer Audit Needs Assessment (attached at Appendix 3) which formulates a programme of computer audits to address the areas of risk identified in the courses of discussion and review of the current position of the Council’s IT infrastructure, management of IT provision generally and software applications currently in use. Proposed future review work will generate independent assessments as to the efficiency and effectiveness of the Council’s IT systems, procedures and operations.

The Computer Audit Needs Assessment singled out 9 audits for completion over the next three years, alongside a further assessment, required in 2016/17 to set another programme of IT reviews for successive years. Whilst the new cycle of
work has outlined computer audit activity up to 2016/17 it is important to note that the current Internal Audit Services Contract comes to an end in September 2014, so the blend of future audits may well change again, depending on the Internal Audit Service delivery model that the Council seeks to adopt from that point forward.

It is also required that there is an ongoing need to revisit agreed actions from previous audit work to confirm progress made to address internal control weaknesses and / or introduce enhancements to existing operational arrangements. Hence the Computer Audit Need Assessment advocates that follow up work is undertaken regularly and provision has been made to permit this.

3. **Proposal and Reasons**

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

4. **Other Options**

4.1. Not applicable.

5. **Relevant Corporate Priorities**

5.1. Through undertaking a risk-based assessment, Internal Audit ensures that its resources are directed at those areas where there is greatest need for scrutiny, and through performing its role to drive services forward in improving the internal control framework and thus ensuring the services are being businesslike in providing services to South Norfolk residents.

6. **Implications and Risks** (delete the following as appropriate)

6.1. Financial – Steps have been taken when formulating Internal Audit coverage for the year ahead, to ensure that the proposals put forward are affordable and do not exceed the approved audit budget for 2013/14.

6.2. Risks – failure to undertake the annual audit plan could result in additional risks to the authority, through the Internal Audit Consortium Manager not being able to provide an annual opinion, and the External Auditors being required to perform additional audit testing. There is also the risk that reductions in Internal Audit coverage could permit ongoing weaknesses in the internal control environment at the Council not being detected and reported upon, and subsequently subject to remedial work being taken.

7. **Conclusion**

7.1. Good progress has been made with the delivery of the Audit Plan to date; positive assurances have been awarded and all other work scheduled is on track as expected.
8. **Recommendations or Action Required**

8.1. That members note the outcomes of the eight completed audits, the final report in relation to the Computer Audit Needs Assessment and the further amendments made to the Annual Audit Plan for 2013/14.

**Appendices attached to this report:**

Appendix 1 – Review Work delivered in accordance with the Annual Audit Plan for 2013/14
Appendix 2(a) – SNC/14/06 Procurement
Appendix 2 (b) – SNC/14/07 Environmental Health Services
Appendix 2 (c) – SNC/14/09 CNC Building Control Transfer to South Norfolk’s Financial Systems
Appendix 2 (d) – SNC/14/10 Sundry Debtors
Appendix 2 (e) – SNC/14/11 Accountancy Services
Appendix 2 (f) – SNC/14/13 Corporate Governance
Appendix 2 (g) – SNC/14/14 Receipt, Handling and Banking of Remittances
Appendix 2 (h) – SNC/14/15 Freedom of Information and Data Protection
Appendix 3 – Computer Audit Needs Assessment Final Report
## Appendix 1

Review Work delivered in accordance with the Annual Audit Plan for 2013/14 plus Ad-Hoc Work requested by Management

<table>
<thead>
<tr>
<th>Audit No.</th>
<th>Description of Audit</th>
<th>Frequency of Audit Coverage</th>
<th>Original Days Planned</th>
<th>Updated Days Planned</th>
<th>Days Delivered</th>
<th>Scheduling</th>
<th>Status</th>
<th>Assurance Level applicable</th>
<th>Summary Report Details presented to Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNC/14/01</td>
<td>Fixed Asset Module on Integra</td>
<td>Ad-hoc</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>April</td>
<td>Complete</td>
<td>Final Report issued 4 June 2013</td>
<td>Adequate Finance, Resources, Audit and Governance Committee (FRAG) 26 September 2013</td>
</tr>
<tr>
<td>SNC/14/02</td>
<td>Sport Facilities at Long Stratton</td>
<td>3-yearly</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>May</td>
<td>Complete</td>
<td>Final Report issued 17 July 2013</td>
<td>Adequate FRAG 26 September 2013</td>
</tr>
<tr>
<td>SNC/14/03</td>
<td>Business Improvement</td>
<td>3-yearly</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>November</td>
<td>Audit subsequently deferred to 2014/15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SNC/14/04</td>
<td>Customer Focus, including reception, equality, marketing etc</td>
<td>3-yearly</td>
<td>10</td>
<td>7</td>
<td>7</td>
<td>August</td>
<td>Complete</td>
<td>Final Report issued 29 August 2013</td>
<td>Adequate FRAG 26 September 2013</td>
</tr>
<tr>
<td>SNC/14/05</td>
<td>Partnerships</td>
<td>3-yearly</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>July</td>
<td>Complete</td>
<td>Final Report issued 13 August 2013</td>
<td>Adequate FRAG 26 September 2013</td>
</tr>
<tr>
<td>SNC/14/06</td>
<td>Procurement</td>
<td>2-yearly</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>August</td>
<td>Complete</td>
<td>Final Report issued 21 October 2013</td>
<td>Good FRAG 7 March 2014</td>
</tr>
<tr>
<td>SNC/14/07</td>
<td>Environmental Health Services</td>
<td>2-yearly</td>
<td>19</td>
<td>19</td>
<td>19</td>
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<tr>
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<td>SNC/14/12</td>
<td>Localism and Communities, including grants and management, neighbourhood boards</td>
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<td>12</td>
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<td>SNC/14/13</td>
<td>Review of Corporate Governance</td>
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<td>FRAG 7 March 2014</td>
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<td>SNC/14/15</td>
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<td>3-yearly</td>
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<td>Annually</td>
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<td>7</td>
<td>2</td>
<td>February</td>
<td>Audit brief issued and fieldwork currently underway</td>
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<td>Network Security and Infrastructure and Telecoms Management</td>
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<td>5</td>
<td>August, October, November</td>
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<td>FRAG 7 March 2014</td>
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<td>Ad-hoc</td>
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<td>Systems Audit Follow Up</td>
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</table>

**TOTAL PLANNED SYSTEMS AUDIT WORK**

217 206 171.5 83%

**TOTAL PLANNED COMPUTER AUDIT WORK**

31 31 9 29%

**TOTAL PLANNED WORK**

248 237 180.5

**EXTRA WORK REQUESTED**

0 0 0

**TOTAL OF EXTRA WORK UNDERTAKEN**

0 0 0

**GRAND WORK TOTAL**

248 237 180.5 76%
Appendix 2(a)

Report No. SNC/14/06 – Final Report issued 21 October 2013

Audit Report on Procurement

Audit Scope

The scope of the audit covered the effectiveness and efficiency of controls operating around:

- The establishment of policies, procedures, laws and regulations;
- Resources, roles and responsibilities;
- Contracts register;
- Tender and quotation rules; and,
- Outcomes to date of the aggregated spend review.

Assurance Opinion – Good assurance

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

Rationale supporting the award of the opinion

There is a sound system of internal control designed to achieve the client’s objectives. The control processes tested are being consistently applied.

The level of assurance has improved greatly reflecting the improvement journey that the Council has been through in relation to Procurement. When initially assessed in 2009/10 an unsatisfactory opinion was awarded, with many areas for improvement recognised. In 2011/12 the opinion improved slightly to that of limited, however more work was still required.

This recent audit has awarded a good assurance opinion, thus reflecting that the Council’s processes, systems and level of internal control now reflect best practice within this area. The assurance opinion has also been derived as a result of no recommendations having been raised.

Positive Findings

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

- Extensive guidance is available within the South Norfolk District Council intranet, E-Link. This provides guidance in support of the Contract Standing Orders (CSO) which are used to aid effective procurement rather than solely providing regulations.

- The contracts register is reviewed by the Purchasing Officer on a quarterly basis, although (new) contracts will be added, removed and amended as and when required. The contract register contains contracts, annual renewals/subscriptions and service level agreements (SLAs). Against each record is a description of the contract, its duration, responsible service/officer and details of the contract location.

- An aggregated spend review has been conducted which has retrospectively looked at expenditure within the previous four years, including spend in the current financial year to date. This has looked in detail at areas of expenditure, where formal agreements are required and methods in which value for money can be obtained, essentially to check compliance with the Council’s procurement rules. An expenditure review is also being conducted on a monthly basis which looks at expenditure within
the previous month, and whether continued spend with that supplier would lead to thresholds set down within the CSO being exceeded.

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

- A Procurement Strategy 2012-15 is in place which is currently under further review to confirm its applicability and take account of increased controls within the service.
- Refresher training was provided during March 2013 and was attended by key management and members of staff who have responsibilities over procurement. It is expected that training will take place every two to three years.
- Testing of a sample of contracts selected from the contracts register and payments from the expenditure report confirmed that officers had complied with financial regulations within the CSO in all cases.

**Control weaknesses to be addressed**

We did not identify any control weaknesses that need to be addressed. As a result we have raised no recommendations.

**Summary of the adequacy and effectiveness of controls**

<table>
<thead>
<tr>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>High</td>
</tr>
<tr>
<td>Established Policies, Procedures,</td>
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<tr>
<td>Laws and Regulations</td>
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<tr>
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<tr>
<td>Contracts Register</td>
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<tr>
<td>Tender and Quotation Rules</td>
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<td>Green</td>
<td>0</td>
</tr>
<tr>
<td>Aggregated Spend Review</td>
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<td><strong>Total</strong></td>
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</table>
Report No. SNC/14/07 – Final Report issued 16 October 2013

Audit Report on Environmental Health Services

Audit Scope

The scope of the audit covered:

- Food safety, including policies and procedures, registration of new premises, food hygiene inspections and complaints;
- Licensing, including identification of establishment, registration, issue of licenses, appeals and recording and reconciliation of income; and
- Private Water Supplies, including compliance with statutory requirements, inspection regimes and receipt of income where applicable.

Assurance Opinion

We have provided three separate Assurance Opinions; one to reflect issues found with Food Safety considered Limited, one relating to Licensing considered Adequate and one relating to Private Water Supplies which is considered Good.

**Food Safety**

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

**Licensing**

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
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</thead>
</table>

**Private Water Supplies**

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

(See appendix A for definitions)

Rationale supporting the award of the opinion

**Food Safety**

The system of internal control is, overall deemed Limited in managing the risks associated with Food Safety. This area was not covered in the previous review of Environmental Health Services (SNC/12/04) hence no direction of travel indicator is provided.

The assurance opinion is influenced by inconsistencies identified following food safety record checks resulting in one high and one medium priority recommendations being raised upon conclusion of our work.
Licensing

The system of internal control is, overall, deemed Adequate in managing the risks associated with Licensing that fall within the scope of this audit. The assurance opinion has been derived as a result of two low priority recommendations being raised upon conclusion of our work in relation to a revised policy statement for Gambling and ensuring that licence fees are received in advance.

Private Water Supplies

The system of internal control is, overall deemed Good in managing the risks associated with Private Water Supplies with no recommendations being raised.

The direction of travel indicator indicates an improvement in the area of Private Water Supplies since the previous review of Environmental Health Services (SNC/12/04).

Positive Findings

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

Food Safety

- Officer training and qualifications records confirmed that the Council provides training to officers commensurate with their tasks and in accordance with the specified levels of Continuous Professional Development (CPD) training requirements.
- Food complaints are dealt with promptly following thorough investigation.

Licensing

- Events, persons and premises that do not hold a licence are identified through officer review of local newspapers, parish pages, Council newsletters, public enquiries/complaints and through liaison with other Council departments, e.g. Planning.
- A register of licence holders is maintained for each type of licence issued under each aspect of legislation.
- Payments are recorded on the Council’s financial management system. Cheque payments are received through either Reception or the Payments Team. Cheques are held securely prior to banking.

Private Water Supplies

- A register of all known private water supplies is maintained by the Council on the APP database and a five yearly programme of risk assessments has been established for private water supplies.
- Water sampling is undertaken in line with relevant regulations, with action taken in a timely manner for unwholesome supplies. Where applicable, income is invoiced and received in a timely manner for private water supply sampling.

Control weaknesses to be addressed

During our work we have identified the following area(s) where we believe that the processes / arrangement within Environmental Health Services would benefit from being strengthened, and as a result of these findings one high and one medium priority recommendations has been made in respect of Food Safety and two low priority recommendations have been made in respect of Licensing.
Food Safety

- Files relating to food hygiene inspections need to be accurate, complete in order to help to confirm that all action can be tracked and retrieved easily thus confirming compliance with relevant national standards.
- Food safety inspections should be undertaken in line with the schedule of visits as dictated by the Food Standards Agency in order to help confirm that all premises and operators run lawfully without putting at risk public health and safety.

Licensing

- The Statement of Policy for Gambling needs updating to help confirm it is reflective of the current practices and legislation.
- Licences should only be issued once it has been confirmed that the correct fee has been receive in order that costs are recovered for the licensing services provided by the Council.

Summary of the adequacy and effectiveness of controls

<table>
<thead>
<tr>
<th>Adequacy and Effectiveness Assessments</th>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
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<tr>
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</table>

High Priority Recommendations

One high priority recommendation has been raised as a result of this audit.

Food Safety files are complete and accurate

Files of the food hygiene inspections should be accurate, complete and comprehensive. Documents completed as part of the inspection process should be completed diligently and maintained on file.

Management Responses

Management have accepted the recommendations raised.
Audit Report on CNC Building Control Transfer to South Norfolk Council’s Financial Systems

Audit Scope

The audit covered:

- Transfer of data – including financial, IDOX and hard copy records;
- Updating of Payroll and HR records;
- Closedown of the CNC bank account and transfer of data;
- Identification and transferring of assets;
- Correct accounting of VAT to HMRC; and
- Statutory responsibilities.

Assurance Opinion – Adequate assurance

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
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<th>Good Assurance</th>
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</thead>
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<tr>
<td></td>
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Rationale supporting the award of the opinion

The system of internal control is, overall, deemed Adequate in managing the risks associated with CNC Building Control transfer to SNC’s systems that fall within the scope of this audit. No previous audit of this area was applicable; hence, we have not deemed it appropriate to provide a direction of travel indicator. The assurance opinion has been derived as a result of one medium priority recommendation being raised upon conclusion of our work concerning transfer arrangements from CNC to SNC and the remaining high priority recommendation from the previous Small Bodies return audit undertaken in 2012/13.

We were advised by the Senior Systems Change Officer of a number of data integrity controls which were in place regarding the migration of data between M3/Northgate to the UNIFORM building control systems. Controls including the contracts between the Council and IDOX for the data migration for building control data could not be provided to us prior to completion of fieldwork for the audit, hence we were unable to verify that the Council has support services built into the contract.

In addition, the Council was undertaking the data migration process for BCKL&WN building control data and as such we were unable to provide assurance of this element of the transfer process during the audit. A medium priority recommendation has been raised in respect of the above issues.

The CNC bank account remains open with an intended closure date of 31st December 2013. This is to allow for any ad hoc payments from debtors which may potentially be made to the old CNC bank account. No recommendation has been made as we have confirmed that monthly bank reconciliations have been undertaken by the Council’s finance department; and access to the debtor and creditor functions within the CNC module on Integra have been set to inquiry only. In addition, we confirmed that access to cheque books was restricted to appropriate officers and that no cheques have been raised on the account since 1st April 2013. As specified in the CNC Bank Account Reconciliation as at the end of August 2013 the CNC bank account had a balance of £16,124.54. The account is expected to be closed down...
by 31st December 2013 by which time any outstanding balances will be transferred to the Council’s relevant accounts. The overall assurance opinion is also influenced by the one high priority recommendation remaining outstanding from CNC1303 – Small Bodies Return. We were advised by the Accountancy Manager that reconciliations between the CNC Building Control system UNIFORM and the Council’s General Ledger were due to be completed for the period up to end of September 2013, by the end of October 2013.

Positive Findings

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

- The data transfer of financial information was traceable through independently reviewed journals;
- Payroll data had been accurately transferred to the Council’s main payroll system with checks implemented to verify the accuracy of the data transfer;
- Fixed assets relating to CNC have been identified on the Council’s fixed asset register. These relate to IT equipment investment after CNC had transferred to the Council. No assets were required to be transferred as a result of the CNC transfer;
- VAT reporting to HMRC has not been impacted as a result of the CNC transfer;
- The Council has assumed statutory responsibilities to discharge building control duties on behalf of the CNC Partner Authorities. This was approved by Council at its meeting held on 20th February 2013.

Control weaknesses to be addressed

During our work we have identified the following area(s) where we believe that the processes / arrangement within CNC Transfer to SNC would benefit from being strengthened, and as a result of these findings one medium priority recommendation has been made.

- Evidence of the contracts between the Council and IDOX regarding the data migration of building control data could not be provided to us prior to completion of fieldwork. As such, we were unable to verify service support provisions within the contract.
- Due to the timing of the audit we were unable to place assurance over the integrity checks undertaken on building control data migration for BCKL&WN from IBUILD to UNIFORM. After completion of fieldwork we were provided with evidence to demonstrate that a reconciliation of the number of records transferred between the IBUILD and UNIFORM had been undertaken. No evidence to demonstrate the accuracy of data transfer was available at the time of audit.
Summary of the adequacy and effectiveness of controls

<table>
<thead>
<tr>
<th>Adequacy and Effectiveness Assessments</th>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>Identification and transfer of Assets</td>
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<td>Correct Accounting for VAT</td>
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<td>Statutory Requirements</td>
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<tr>
<td></td>
<td>Total</td>
<td></td>
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</tr>
</tbody>
</table>

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit.

Management Responses

Management have accepted the recommendation raised.
Report No. SNC/14/10 – Final Report issued 3 December 2013

Audit Report on Sundry Debtors

Audit Scope

The scope of the audit covered the following areas to help confirm that control environment is operating effectively and efficiently:

- Policies and procedures;
- The raising of sundry debtors, refunds and transfers;
- Direct debits;
- Suspense items;
- Processing and recovery of outstanding debts;
- Writing off outstanding debts;
- Debtors reconciliation; and
- Security arrangements.

Assurance Opinion

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

Rationale supporting the award of the opinion

The system of internal control is, overall, deemed Adequate in managing the risks associated within the scope of this audit. The assurance opinion has been derived as a result of having raised five low priority recommendations of which three recommendations relate to issues that have been found in our previous audit (SNC/12/05); this despite having been confirmed with the Council as having been implemented through our follow up checks. These repeated recommendations relate to refund monitoring, suspense account and review of debtor accounts on hold.

The direction of travel indicator indicates an improvement in the area since the previous review in recognition of the reduced number of issues/recommendations arising since the previous review, applying to such areas as policies and procedures, recovery through direct debits, processing and recovery of outstanding debts and write offs.

Positive Findings

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

- Policies and procedures for day-to-day sundry debt processes and management have been documented and recently reviewed to reflect current practices.
- Direct debit rejections and recalls are identified and reviewed in a timely manner to ensure appropriate action is taken. New direct debits are set up in a timely manner.
- Write offs are undertaken in line with the write-off policy which is aligned to the Scheme of Delegation. Records are retained to support write-offs with reasons documented by an officer independent of the authorisation process.
- Receipt of debtor’s income is independently reconciled to bank statements and the general ledger on a monthly basis and is independently checked.
Income received by cheque and cash is reconciled as cash in transit reconciliations on a weekly basis which are checked and independently signed off by the Accountancy Manager.

Control weaknesses to be addressed

During our work we have raised five low priority recommendations for control enhancements in respect of the raising of sundry debtors and refunds and processing and recovery of outstanding debts; of these, three relate to issues found in the previous report which had been reported as having been implemented through our cyclical follow up checks, in particular:

- Routine checking and monitoring the accuracy and authenticity of sundry debtor refunds by clearly distinguishing refunds from other types of credit adjustments and reconciling refunds from the sales ledger to the purchase ledger, to confirm the accuracy of refunds within the Council’s accounts. The recommendation has been deemed low priority on the basis of the relatively low volume of refunds being processed.
- Enhanced control, through more frequent reviewing of debtor accounts that are on hold (query) to confirm that debts are recovered in a timely manner.
- Items cleared from suspense requiring independent check with supporting documentary evidence retained to confirm their validity.

Summary of the adequacy and effectiveness of controls

<table>
<thead>
<tr>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies and Procedures</td>
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<td>Green</td>
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</tr>
<tr>
<td>The raising of Sundry Debtors, refunds and transfers</td>
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<td>Direct Debits</td>
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<tr>
<td>Suspense Items</td>
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<tr>
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<td>Green</td>
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<tr>
<td>Security arrangements</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>0 0 5</td>
</tr>
</tbody>
</table>

High Priority Recommendations
No high priority recommendations have been raised as a result of this audit

Management Responses

Management have accepted the recommendations raised.
Report No. SNC/14/11 – Final Report issued 21 January 2014

Audit Report on Accountancy Services

Audit Scope

The objective of the audit was to review the systems and controls in place within Accountancy Services to help confirm that these are operating adequately, effectively and efficiently.

The audit covered:

- Control accounts;
- Banking;
- Bank reconciliation;
- Asset Register;
- Budgetary control;
- Journal entries - general ledger maintenance; and
- Insurance arrangements.

Assurance Opinion

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Rationale supporting the award of the opinion

The system of internal control is, overall, deemed Adequate in managing the risks associated with Accountancy Services that fall within the scope of this audit. The direction of travel has indicated that the overall level of control has remained unchanged since the previous audit was carried out in March 2012 (SNC/12/09). The assurance opinion has been derived as a result of three medium and one low priority recommendations being raised upon conclusion of our work.

Control Accounts

Documented procedures did not always confirm they had been subject to formal approval or did not confirm the timing of the next review.

Banking / Bank Reconciliation

Reference to bank charges in the Treasury Management Procedures was not reflective of the latest charges agreed with the Co-operative Bank. There was no guidance included within the document relating to the Council's monthly checking of the charges made by the bank. The Accountant confirmed that such checks were not carried out in practice.

Asset Register

Details of the additions and disposals during the year and revaluations carried out at the start of the year had been updated in the Excel Asset Register but had not in the FAM Asset Register. Depreciation and capital charge values had not been calculated and applied to either versions of the Asset Register to date in 2013/14.

Journal Entries

There is currently no regular review of user access rights to the Integra system.
Furthermore, the previous report on the Work to Support the Annual Governance Statement (SNC/13/14), issued in April 2013, raised a recommendation relating to reconciliations between the Asset Register and the ledger which was found to remain outstanding.

**Positive Findings**

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

**Control Accounts**
Reconciliation summary sheets had been completed in a timely manner; they confirmed the identity of the person who carried out each control account reconciliation, with supporting documentary evidence retained. Reconciliations had been undertaken in a timely manner and independently reviewed.

**Banking**
The Accountancy Manager's report on the proposed contingency banking arrangements with Barclays Bank had been considered by Cabinet. Cabinet had been asked to note that the Head of Finance intended to set up an alternative current account with Barclays Bank which would remain dormant as a contingency.

**Bank Reconciliations**
Reconciliation summary sheets had been completed in a timely manner which confirmed the identity of the person who carried out bank account reconciliations with supporting documentary evidence retained. Reconciliations had been undertaken in a timely manner and showed evidence of independent review.

**Asset Register**
Additions to the Asset Register had been supported by a purchase order which had been authorised within delegated limits.

**Budgetary Control**
Budgetary responsibility had been delegated to budget holders in accordance with the Constitution, service heads had been actively involved in the setting of their budgets which had been accurately profiled on the financial ledger.

**Journal Entries**
Manual journal transfer forms had been completed which confirmed the timing of the transaction, the identity of the person who prepared and input the journal and the identity of the independent person who authorised the journal. Documentary evidence had been retained in support of each journal transaction.

**Insurances**
Standard insurance claim forms had been completed which had been submitted in a timely manner, reviewed promptly and submitted promptly to the insurance company.

**Control weaknesses to be addressed**

During our work we have identified the following area(s) where we believe that the processes in Accountancy Services would benefit from being strengthened, and as a result of these findings, three medium and one low priority recommendations have been made:

**Bank Charges Procedures**

- Bank charges should be checked on a monthly basis as part of the bank reconciliation process. The Treasury Management Procedures should be updated to reflect the need for this level of control and to reflect the correct charges that have been agreed with the Co-Operative Bank. The checking of charges confirmed on
bank statements at regular intervals will help to confirm that they are in accordance with the amounts agreed with the bank.

**Asset Register**

- Arrangements should be made to update the Excel Asset Register and FAM Asset Register as soon as possible with details of the revaluations carried out at the start of the year, and update details of additions and disposals and depreciation and capital charge values on a quarterly basis thereafter. The regular updating of the Excel and FAM Asset Registers will help to confirm that all items are included and attributed with an up to date valuation which will ensure that depreciation is correctly calculated.

**Journal Entries**

- Access rights granted to individuals on the Integra system should be reviewed for appropriateness on an annual basis. The regular review of user access rights on the Integra system will help to identify any members of staff no longer in post and any cases of access rights granted which no longer suit the individual's operational duties.

In addition, we have made one low priority recommendation in respect of procedural guidance for performing control account reconciliations which will help to enhance existing controls.

**Summary of the adequacy and effectiveness of controls**

<table>
<thead>
<tr>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Accounts</td>
<td>Green</td>
<td>Amber</td>
<td>0</td>
</tr>
<tr>
<td>Banking</td>
<td>Amber</td>
<td>***Amber</td>
<td>0</td>
</tr>
<tr>
<td>Bank Reconciliations</td>
<td>Green</td>
<td>***Amber</td>
<td>0</td>
</tr>
<tr>
<td>Asset Register</td>
<td>Amber</td>
<td>**Amber</td>
<td>0</td>
</tr>
<tr>
<td>Budgetary Control</td>
<td>Green</td>
<td>Green</td>
<td>0</td>
</tr>
<tr>
<td>Journal Entries – General Ledger Maintenance</td>
<td>Amber</td>
<td>Amber</td>
<td>0</td>
</tr>
<tr>
<td>Insurance</td>
<td>Green</td>
<td>*Amber</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>0  3  1</strong></td>
</tr>
</tbody>
</table>

* Relates to Control Accounts.

** Includes one outstanding recommendations from Work to Support the Annual Governance Statement – SNC/13/14 – issued 9th April 2013.

*** Recommendations relates to both Banking and Bank Reconciliations.

**High Priority Recommendations**

No high priority recommendations have been raised as a result of this audit

**Management Responses**

Management have accepted the recommendations raised.
Audit Report on Corporate Governance

Audit Scope

The scope of the audit covered the following areas of Corporate Governance to help confirm that the control environment is operating effectively and efficiently in relation to:

- Corporate Mechanisms for Supporting and Monitoring Decision Making Processes; and
- Maintenance of the authority’s Assurance Framework.

Assurance Opinion – Good assurance

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

Rationale supporting the award of the opinion

The system of internal control, overall, is deemed good in managing the risks associated with Corporate Governance that fall within the scope of this audit. This assurance opinion has been derived as a result of one low priority recommendation being raised upon the conclusion of our work. Since the scope of the review differed significantly from the previous review (SNC/13/10) completed in January 2013, which was also awarded Good Assurance, it is not considered appropriate to include a direction of travel indicator on this occasion, even though the assurance has remained the same.

We found an issue around the formal recording of declarations of interest by members attending Cabinet and Council meetings. Audit testing established that although agendas ensured this matter was raised at each meeting, minutes referred purely to those occasions where declarations had been voiced. Hence, there was no reference where no declarations had been received.

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently with reference to corporate mechanisms for supporting and monitoring decision making processes, in particular:

- Part 4 of the Constitution was found to confirm the composition, procedures and terms of reference of the Council's constituent bodies, which included Council, Cabinet, the Scrutiny Committee and the Finance, Resources, Audit and Governance Policy Committee. Terms of reference were found to include information on responsibilities, membership, quorum, protocols, voting and provisions also encompassed the opportunity to challenge decisions;
- Appropriate consultation is taking place with Heads of Service, Senior Leadership Team, Board, Committees and Cabinet, when developing reports for subsequent member consideration and decision making. Further, the format of reports to Committees/Cabinet is consistent to ensure adequate information is provided, particularly where a key decision is required.
- Member and officer protocols were being adhered to, as verified when testing delivery of the recent Leisure Enhancement Programme and Development Management Peer Review outcomes in accordance with Part 5 of the Council's Constitution;
- The responsibility to lead on the production of the Council’s Financial Statements, and therefore the co-ordination of assurance feedback received in connection with
the preparation of the Council's Annual Governance Statement (AGS), had been assigned to a suitably qualified officer namely the Accountancy Manager; and

- Senior Leadership Team (SLT) had reviewed a draft version of the Annual Governance Statement in June 2013 and the Finance, Resources, Audit and Governance Committee reviewed later versions of the AGS in June and September 2013 prior to its publication on the Council's web site.

**Control weaknesses to be addressed**

We have not identified areas where high or medium priority recommendations are required.

One low priority recommendation has been raised for Members attending Cabinet and Council meetings to record the fact that they have no interests in the issues being covered in that meeting so as to provide evidence that the requirements to do so have been met.

### 2.6 Summary of the adequacy and effectiveness of controls

<table>
<thead>
<tr>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Mechanisms</td>
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<td>Assurance Framework</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
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</tr>
</tbody>
</table>

#### High Priority Recommendations

No high priority recommendations have been raised as a result of this audit.

**Management Responses**

Management have rejected the recommendation raised – see below for details.

*Corporate Mechanisms (Recommendation 1 – Low Priority Rating)*

Members attending Cabinet and Council meetings should be requested to record the fact that they have no interests in the issues being covered in that meeting.

**Recommendation developed from following Finding**

Members are required to declare interests as standard practice when attending Cabinet and Full Council meetings. Testing of the minutes of three of the six Cabinet meetings and two of the four Council meetings which took place during the year, and discussion with the Democratic Services Officer, confirmed that they only made reference to the consideration of the declaration of interests by Members if such matters had actually been declared by them. Consequently, if there were no such matters arising, there was no reference to the consideration of the item in the minutes as set out in the agenda.

**Rationale supporting the Recommendation**

To record that a Member has no interests in the items being covered in meetings of Cabinet and Full Council, will provide evidence to the public that the Members have been made aware of their responsibilities to make such a declaration and that the respective Members have actually recorded that declaration.
Management Response

Disagreed.

Although I do accept this would provide evidence this matter has been covered in the agenda, this is the practice the Council has established for the past 40 years without any issues being raised.

I am satisfied that the subsequent review of minutes at the next meeting of the Committee would provide sufficient control, and should any issues arise then it would also be possible to subsequently refer to the written committee notes taken by the Democratic Services Officer to confirm what had been said in the meeting.

Audit Comment

We acknowledge management’s comments although consider that the stated risks still remain.
Appendix 2(g)

Report No. SNC/14/14 – Final Report issued 20 December 2013

Audit Report on Receipt, Handling and Banking of Remittances

Audit Scope

The objective of the audit was to review the systems and controls in place within the Receipt, Handling and Banking of Remittances to help confirm that these are operating adequately, effectively and efficiently.

The audit covered:

- Policies and Procedures;
- Physical Security of Payments;
- Receipting of Monies;
- Posting of Income; and
- Reconciling Income.

Assurance Opinion

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

Rationale supporting the award of the opinion

The system of internal control is, overall, deemed Adequate in managing the risks associated with the Receipt, Handling and Banking of Remittances that fall within the scope of this audit. The direction of travel has indicated that the overall level of control has remained unchanged since the previous audit completed in October 2011 (SNC/12/07). The assurance opinion has been derived as a result of one medium and three low priority recommendations being raised upon the conclusion of our work.

Issues were noted over the updating of procedural guidance and accessibility thereof to all users outside the Payments Team responsible for receipt and processing remittances. Levels of systems access were still granted to officers whose roles had changed, thereby no longer requiring access. Land charges and planning payments appearing on the daily fund report had not been subject to routine checking to confirm accuracy of posting or had always been completed in a timely manner. Sales ledger suspense items cleared by the Payments Control Officer had not been subject to independent review.

Positive Findings

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

- Members of the public are actively advised of the Council's different payment methods, including via the Council's web site. Council tax bills and debtor invoices also provide details of payment options;
- Post is received and opened securely within the Reprographics Department in the presence of two members of staff. Cheques are separated with evidence of secure opening, recording and handing over of cheques between responsible officers;
- Payments are correctly received/allocated through the Paye.Net system;
- For council tax and debtor invoice payments, the customer's name and account details are clearly stated;
- Bank account download rejections are reflected in an exception report which is generated and retained for investigation. A monitoring spreadsheet is also maintained which identifies any historic items requiring investigation; and
- A monthly bank account reconciliation of the income bank account is carried out by the Accountant which is independently reviewed by the Accountancy Manager.

**Control weaknesses to be addressed**

During our work we have identified the following area(s) where we believe that the processes in the Receipt, Handling and Banking of Remittances would benefit from being strengthened, and as a result of these findings, one medium priority recommendation has been made:

- Staff in the Payments Control Team should undertake independent reviews of daily fund reports and the importing of bank transactions. This will help to confirm that payments are correctly and promptly allocated to accounts

During our audit we also raised three low priority recommendations which will provide enhancements to the current system in relation to reviewing documented procedures for downloading payments from the bank and giro into Axis, producing written guidance for all users of the cash receipting system and for reviewing user access rights granted to individuals on the Paye.Net system.

We also made one low priority recommendation (N0 4) in our report on Sundry Debtors – SNC1410 – issued 3rd December 2013 in respect of independent review of items cleared from the account. This was agreed with management for implementation by 31st December 2013. As such, no recommendation is made in this report.

**Summary of the adequacy and effectiveness of controls**

<table>
<thead>
<tr>
<th>Adequacy and Effectiveness Assessments</th>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
</tr>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Physical Security of Payments</td>
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<tr>
<td>Receipting of Monies</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Posting of Income</td>
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<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Reconciling Income</td>
<td>Green **Amber</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total</td>
<td></td>
<td>0</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

* Refers to an issue with the clearance of the suspense account in the report on Sundry Debtors – SNC1410 – issued 3rd December 2013 which included a low priority recommendation agreed with management for implementation by 31st December 2013. **See posting of income.

**High Priority Recommendations**

No high priority recommendations have been raised as a result of this audit
Management Responses

Management have accepted the recommendations raised.
Audit Report on Freedom of Information and Data Protection

Audit Scope

The objective of the audit was to review the systems and controls in place within Data Protection and FOI to help confirm that these are operating adequately, effectively and efficiently.

Assurance Opinion

We have provided two assurance opinions to reflect the distinctness of the two audit areas under review.

Data Protection

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

Freedom of Information

<table>
<thead>
<tr>
<th>Unsatisfactory Assurance</th>
<th>Limited Assurance</th>
<th>Adequate Assurance</th>
<th>Good Assurance</th>
</tr>
</thead>
</table>

Rationale supporting the award of the opinion

Data Protection

The system of internal control, overall, is deemed good in managing the risks associated with Data Protection that fall within the scope of this audit. The assurance opinion has been derived as a result of one low priority recommendation being raised in relation to supporting reviews on compliance with data protection requirements. The direction of travel indicator displays that the level of assurance has improved since the previous computer audit review on data protection issued in October 2009.

Freedom of Information

The system of internal control, overall, is deemed good in managing the risks associated with Data Protection that fall within the scope of this audit. The assurance opinion has been derived as a result of one low priority recommendation being raised in relation supplementing guidance for FOI request. The area has not been subject to scrutiny by Mazars previously hence no direction of travel indicator has been supplied.

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently, in particular:
• Policies are in place regarding data protection;
• Procedures are in place for the secure disposal of data; and
• FOI are recorded and response times monitored and deadlines being met for responses.

Control weaknesses to be addressed

We have not identified areas where high or medium priority recommendations are required.

Two low priority recommendations have been raised in respect of supporting managers to enable the identification of data protection issues and producing procedural guidance for processing FOI requests which will help to enhance existing controls.

Summary of the adequacy and effectiveness of controls

<table>
<thead>
<tr>
<th>Adequacy and Effectiveness Assessments</th>
<th>Area of Scope</th>
<th>Adequacy of Controls</th>
<th>Effectiveness of Controls</th>
<th>Recommendations Raised</th>
</tr>
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<tr>
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<td></td>
<td>Freedom of Information</td>
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<td>Amber</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit

Management Responses

Management have accepted the recommendations raised.
COMPUTER AUDIT NEEDS ASSESSMENT AND STRATEGIC PLAN
South Norfolk District Council
SNC/14/21 – Final Report
7th February 2014
## CONTENTS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>PAGE</th>
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<tbody>
<tr>
<td>1. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>2. AUDITABLE AREAS</td>
<td>1</td>
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<tr>
<td>3. PRIORITISATION CRITERIA</td>
<td>2</td>
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<tr>
<td>4. METHODOLOGY</td>
<td>2</td>
</tr>
<tr>
<td>5. RISK ASSESSMENT APPROACH</td>
<td>2</td>
</tr>
<tr>
<td>6. COMPUTER AUDIT PRIORITY ANALYSIS</td>
<td>4</td>
</tr>
<tr>
<td>7. ANNUAL COMPUTER AUDIT ACTIVITY PLANS</td>
<td>6</td>
</tr>
<tr>
<td>APPENDIX 1 CANA METHODOLOGY</td>
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</tbody>
</table>
1. INTRODUCTION

We are pleased to present our Computer Audit Needs Assessment and Strategic Plan for South Norfolk District Council. We believe that such an assessment is a vital component of the planning process and allows direction of audit effort towards areas of risk within the IT environment that are of specific importance to the Authority. Our approach reflects our philosophy that the computer audit function should be seen as a constructive management tool that provides useful advice to management on the efficiency and effectiveness of systems, procedures and operations. This approach has been successfully introduced across a wide range of our clients including those in the Public Sector.

The following sections give further details of how our assessment has been conducted and the conclusions we have reached.

2. AUDITABLE AREAS

We assess the risk in terms of a number of audit areas so that audit types are distinguished by different audit risk objectives, e.g. Applications, Management issues and Infrastructure.

The nature of auditable areas differs between audit types, e.g. for an application audit the auditable area can be within a specific installation, for Management and Infrastructure audits it can be Council wide, departmental, outsourced, or some combination of these, and impact on a variety of corporate risks. These areas were discussed with the interviewees to establish their views on the inherent risk of each of the audit areas, and previous audit reports were reviewed to identify areas of weaknesses which were identified.

It is important to note that although audits are planned separately, so that the appropriate criteria can be applied to each type of audit, it may be appropriate to combine audits for the purposes of execution. Where this is in the best interest of the Council, synergy between audits has and will be sought.

The following notes set out the ground rules and the proposed definitions of units for each of the audit types.

**Ground rules**

As far as practicable, the audit types have been divided so that the auditable areas:

- are comparable with each other - significance analysis is ineffective if unlike units are compared, e.g. comparing an existing system with a project;
- represent logical groupings which will result in an efficient use of audit resources;
- reflect the reporting lines within the organisation so that any issues raised have immediate relevance to an identified management team and the channels for communicating findings are clear;
- provide a reasonably homogeneous population, especially as regards size - there should not be extremely large or extremely small audit units in the same population; and
- are of manageable size.
3. **PRIORITISATION CRITERIA**

This section sets out the approach used for determining priorities. A significance analysis was performed, which took account of both the risk and the possible consequence of a breakdown in controls. The detailed methodology factors are shown below.

4. **METHODOLOGY**

**Assessment Categories**

The Risk Assessment model takes account of four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the four assessment categories and what each is intended to measure.

<table>
<thead>
<tr>
<th>Assessment Category</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Importance – Objectives/Priorities</td>
<td>Corporate materiality</td>
</tr>
<tr>
<td>Corporate Sensitivity – Impact</td>
<td>Political materiality</td>
</tr>
<tr>
<td>Inherent Risk</td>
<td>Inherent vulnerability</td>
</tr>
<tr>
<td>Control Risk</td>
<td>Control effectiveness</td>
</tr>
</tbody>
</table>

The full definition for each category and the scoring criteria are described in Appendix 1.

5. **RISK ASSESSMENT APPROACH**

**Auditable areas**

In order to identify the auditable areas and establish the areas of risk or specific importance within the Council, we adopted an approach involving discussion and review of the current position. Information was gathered by completing the Computer Audit Needs Assessment matrix with four selected officers within the Council. These individuals are identified below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Digby</td>
<td>ICT Operations Manager</td>
</tr>
<tr>
<td>Matt Woolven</td>
<td>IT Infrastructure Manager</td>
</tr>
<tr>
<td>Paul Doggett</td>
<td>IT Service Support Manager</td>
</tr>
<tr>
<td>Alan Quinton</td>
<td>IT Support and Infrastructure Project Manager</td>
</tr>
</tbody>
</table>

In addition to the input from Council personnel to the needs assessment matrix, the following information was also included:

- review of the available information within the current Internal Audit Strategy;
- background information obtained from previous audits and our discussions to date with the Council;
- professional judgement after careful consideration of the key risks to the Council with the above officers; and,
• review of current and previous computer audit plans and local strategic issues facing the Council.

This has resulted in auditable areas being classified into four bands according to their significance. These bands have been used to determine the priority and frequency of audits to be undertaken. Band Very High (VH) is the highest and contains the systems identified as of most significance to the organisation, and Band Low (L) the least significant.

Those in the higher bands will normally be audited more frequently and to a greater depth than those in the lower bands, unless special requirements arise as a result of specific management concerns about an area.

Assessment of Needs

The Needs Assessment is based on an audit analysis of 40 discrete auditable areas which together are considered to comprise the key aspects of the IT environment within the Council. A separate analysis was also carried out to complement these areas to determine the Council’s key applications and upcoming projects, which have also been incorporated into the Needs assessment. The Strategic Computer Audit Priority Analysis (Medium, High and Very High) is detailed in Section 6 of this report and the Annual Computer Audit Activity Plans are shown in Section 7 of this report. Ten areas prioritised as Low have not been included.
COMPUTER AUDIT PRIORITY ANALYSIS

Table 1

<table>
<thead>
<tr>
<th>AUDITABLE AREA</th>
<th>Risk</th>
<th>Last Audited</th>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
</tr>
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<tbody>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Computer Audit Needs Assessment (CANA)</td>
<td>5</td>
<td>5</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Follow ups</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Infrastructure</td>
<td>H</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Security</td>
<td>H</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virtualisation</td>
<td>H</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remote access (Supplier and User)</td>
<td>H</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecoms/VoIP (reduced scope)</td>
<td>H</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange and Email</td>
<td>H</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virus Protection/Spyware</td>
<td>H</td>
<td>2011/12</td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Management Issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Recovery</td>
<td>VH</td>
<td>2012/13</td>
<td></td>
<td></td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Applications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDOX Uniform</td>
<td>M</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues and Benefits (OPENRevenues)</td>
<td>H</td>
<td>2009/10</td>
<td></td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abritas Choice based lettings/Housing (reduced scope)</td>
<td>M</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Integra Finance application (reduced scope)</td>
<td>M</td>
<td>2011/12</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td>31</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Where possible a number of audits where there is a crossover in scope have been consolidated to provide efficiencies. Some areas of scope are covered as part of a number of audits and therefore have not been included as a separate audit. The plan has also taken account of areas not having previously been audited, although have only attracted a medium risk rating. There are areas with a higher risk rating that have been excluded due to the fact that there have been audits in those areas in previous years.

When scheduling the proposed timetable for auditing specific areas, the date the areas was last audited, together with the assurance opinion provided at that time has been considered. Additionally, timescales were discussed to identify if there were any factors that might affect the timing of the audit that should be considered, for example new or improved system/process to be implemented. We have also sought to develop some future audits with reduced scopes to allow focussed reviews of more areas of greatest risk than might otherwise have been possible, based on the limited number of days available generally in the Council’s Strategic and Annual Audit Plans. Our computer audit plan also seeks to create a balanced approach between application audits and the more technical, IT Support aspects, which has resulted in some medium risk areas being included.

The table below shows that 22 areas have been put into reserve. They represent the balance of those auditable areas graded as high or medium risk that are not included in the audit plan, with the exception of Business Continuity, which was graded as very high risk. This area has been audited twice, most recently in the 2011/12 audit plan, and has received an Adequate grade on both occasions. Thus, it was considered prudent to place focus on other areas that have either not been audited before, have not been audited recently or where the overall grade was Limited or less.
Table 2

<table>
<thead>
<tr>
<th>Auditable area</th>
<th>Risk</th>
<th>Days</th>
<th>Last Audit</th>
<th>Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>M</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC End User controls</td>
<td>M</td>
<td>8</td>
<td>2009/10</td>
<td>Adequate</td>
</tr>
<tr>
<td>Laptop Security</td>
<td>M</td>
<td>8</td>
<td>2009/10</td>
<td>Adequate</td>
</tr>
<tr>
<td>Mobile Devices (Phones/USB, etc.)</td>
<td>M</td>
<td>8</td>
<td>2009/10</td>
<td>Adequate</td>
</tr>
<tr>
<td>Firewalls Administration</td>
<td>M</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Management Issues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Continuity (BS25999)</td>
<td>VH</td>
<td>7</td>
<td>2011/12</td>
<td>Adequate</td>
</tr>
<tr>
<td>Availability Management</td>
<td>M</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Management</td>
<td>M</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy/ ISO27001/ITIL/ISO9000</td>
<td>M</td>
<td>8</td>
<td>2011/12</td>
<td>Adequate</td>
</tr>
<tr>
<td>Governance</td>
<td>H</td>
<td>8</td>
<td>2011/12</td>
<td>Adequate</td>
</tr>
<tr>
<td>Procurement/Acquisition</td>
<td>M</td>
<td>8</td>
<td>2009/10</td>
<td>Adequate</td>
</tr>
<tr>
<td>Programme Management</td>
<td>M</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>M</td>
<td>8</td>
<td>2008/09</td>
<td>Adequate</td>
</tr>
<tr>
<td>Strategy</td>
<td>M</td>
<td>8</td>
<td>2011/12</td>
<td>Adequate</td>
</tr>
<tr>
<td>Data Protection</td>
<td>H</td>
<td>5</td>
<td>2009/10</td>
<td>Adequate</td>
</tr>
<tr>
<td>Freedom of Information</td>
<td>M</td>
<td>5</td>
<td>2009/10</td>
<td>Adequate</td>
</tr>
<tr>
<td><strong>Applications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Receipting System</td>
<td>M</td>
<td>8</td>
<td>2007/08</td>
<td>Limited – replacement system now operating</td>
</tr>
<tr>
<td>BACS CS payments application</td>
<td>M</td>
<td>8</td>
<td>2009/10</td>
<td>Adequate</td>
</tr>
<tr>
<td>HR/Payroll System</td>
<td>M</td>
<td>10</td>
<td>2011/12</td>
<td>Adequate</td>
</tr>
<tr>
<td>IDOX Document imaging and workflow</td>
<td>M</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Health</td>
<td>M</td>
<td>10</td>
<td>2010/11</td>
<td>Adequate</td>
</tr>
<tr>
<td>Register of Electors</td>
<td>M</td>
<td>8</td>
<td>2008/09</td>
<td>Adequate</td>
</tr>
<tr>
<td>Planning, Building Control,</td>
<td>M</td>
<td>8</td>
<td>2010/11</td>
<td>Adequate</td>
</tr>
</tbody>
</table>
7. ANNUAL COMPUTER AUDIT ACTIVITY PLANS

Table 3

<table>
<thead>
<tr>
<th>AUDITABLE AREA</th>
<th>Risk</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Audit Needs Assessment (CANA)</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Follow ups</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Infrastructure</td>
<td>H</td>
<td>8</td>
</tr>
<tr>
<td>Network Security</td>
<td>H</td>
<td>7</td>
</tr>
<tr>
<td>Virtualisation</td>
<td>H</td>
<td>7</td>
</tr>
</tbody>
</table>

The above extract (Table 3) from the Strategic Computer Audit Needs Analysis (Table 1) shows that, in addition to the Computer Audit Needs Assessment that is being reported in this report, three areas are due for review in February 2014 as part of the 2013/14 Audit Plan, with the Network Infrastructure and Network Security audits being combined. These reviews entail scrutiny of the following:

Network Infrastructure and Security

The network infrastructure enables users to connect to servers and equipment, which is not directly connected to their own physical PC or workstation. This could be on the next desk (as in printers), other rooms, other buildings or even other countries depending on the type of network. A review of the network infrastructure and security will look at how the Council’s network is accessed, how it is supported and monitored and how the network is secured against unauthorised access. As part of the audit we will use a third party Computer Audit Tool called SekChek to look at the Network Server Operating System (O/S) configuration and logical access controls. The audit will cover:

- Operating system security, including
  - Domain accounts policies;
  - Audit policy settings;
  - User privileges;
  - Trusted and trusting hosts;
  - User accounts and passwords;
  - Services and drivers;
  - Home directories, logon scripts
  - Security option settings;
  - Logical drives;
  - Default login accounts;
  - Discretionary access controls (DACLs);
- Network administration;
- Network support;
- Network monitoring;
- Network topology and resilience;
- Remote access servers and security;
- Routers;
- Virus detection/prevention controls on server infrastructure; and
- Server room physical and environmental controls.

The original scope agreed at the previous Computer Audit Needs Assessment included telecoms. It has been removed from the audit awaiting implementation of a replacement
telecoms solution, which may be a hosted solution using Norfolk County Council infrastructure or hosted locally at South Norfolk House. A separate audit of the refreshed telecoms infrastructure has been placed in the 2015/16 audit plan to allow sufficient time for the project to be completed.

Virtualisation

The Network Infrastructure and Security audit described above typically includes telecoms management. However, to recognise the fact that management are working to replace the current telecoms infrastructure, an audit of the Council’s virtualised infrastructure has been agreed to be conducted in its place. A separate audit of the updated telecoms infrastructure has been placed in the 2015/16 audit plan.

Virtualisation is the creation of a virtual (rather than actual) version of something, such as an operating system, a server, a storage device or network resources. Operating system virtualisation is the use of software to allow a piece of hardware to run multiple operating system images at the same time. The audit will look at the Council’s virtual security and management control framework and evaluate controls established and applied in the following areas:

- Roles and responsibilities;
- Topology design and capacity management procedures;
- Use of standard configurations (e.g. Centre for Internet Security VM security standards);
- System monitoring and management support arrangements; and
- Ongoing benefit management arrangements.

The audit will include a self-assessment questionnaire and onsite verification of a sample of responses.

Computer Audit Needs Assessment:

A Computer Audit Needs Assessment (CANA) takes into account the current infrastructure and IT requirements at the Council to help develop a strategic, risk based Audit plan to cover the next three years. This report is the output from the CANA.

Table 4

<table>
<thead>
<tr>
<th>AUDITABLE AREA</th>
<th>Risk</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Follow ups</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remote Access (Supplier and User)</td>
<td>H</td>
<td>8</td>
</tr>
<tr>
<td><strong>Management Issues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Recovery</td>
<td>VH</td>
<td>8</td>
</tr>
<tr>
<td><strong>Applications</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDOX Uniform</td>
<td>M</td>
<td>10</td>
</tr>
</tbody>
</table>

The above extract (Table 4) from the Strategic Computer Audit Needs Analysis (Table 1) shows that three areas are due for review as part of the 2014/15 Audit Plan. These reviews are:
Remote Access (Supplier and User)

The Council utilises remote access facilities to promote flexible working and to allow suppliers to gain access to relevant areas of the network. The audit will look at how the Council manages the risks to the data contained within the network that arises from allowing such access.

This is deemed a High risk area through the needs assessment and has not been audited before. Hence, it has been placed in the 2014/15 audit plan.

The audit will cover:

- Policies and procedures;
- Remote access monitoring;
- Remote access change controls;
- Network protection; and,
- Access controls.

Disaster Recovery

The audit will look at how the Council manages its disaster recovery processes to support the Council’s identified Business priorities as set out in its Business Continuity plans. This area has been previously audited in conjunction with the Council’s data centre and backup processes as part of the 2012/13 plan, and received a Limited grade, primarily due to disaster recovery and data centre weaknesses. Data centre physical and environmental controls have been incorporated into the Network infrastructure and security audit in the 2013/14 plan. The backups scope did not result in any recommendations being raised. Hence, only the Disaster Recovery aspects have been included in the 2014/15 plan.

IDOX Uniform

IDOX Uniform is a key resource in delivering an effective service to the residents of the District and was highlighted as an increasingly key application for the Council. It is a modular application, which is being increasingly adopted across key areas of the Council, for example, Planning/Building Control and Estates. This area has not previously been audited and has been placed in the 2014/15 plan. Notwithstanding the medium risk rating that this application received during the needs assessment, management have identified it as becoming a key corporate application, once all service areas in scope have been incorporated into it. Any weaknesses in the application controls could have a significant impact on the Council’s ability to deliver an effective service and depending on the type of weakness could see the Council in breach of legislative requirements. The areas covered in this audit will include:

- Access Controls;
- Document Imaging Process;
- Data Processing and Document Routing;
- Data Output;
- Interfaces;
- Management Trails; and
- Support Arrangements and Change Controls.
Table 5

<table>
<thead>
<tr>
<th>AUDITABLE AREA</th>
<th>Risk</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Follow up of audit recommendations</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange and Email</td>
<td>H</td>
<td>8</td>
</tr>
<tr>
<td>Telecoms/VoIP</td>
<td>H</td>
<td>7</td>
</tr>
<tr>
<td>Applications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues and Benefits Application (OPENRevenues)</td>
<td>H</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>30</td>
</tr>
</tbody>
</table>

The above extract (Table 5) from the Strategic Computer Audit Needs Analysis (Table 1) shows that three areas are due for review as part of the 2015/16 Audit Plan. These reviews are:

**Exchange and Email**

Microsoft Exchange is the software that manages the Council’s email systems. This area has not been audited before at South Norfolk District Council and has attracted a High risk grade as a result of the needs assessment. The audit has been placed in the 2015/16 year as a result. The audit will look at the following areas:

- Email policy and procedures;
- Email monitoring and Anti-Virus processes;
- Email inbox management and archive rules;
- System management support and administration;
- Resilience backups and mobile data wipe processes;
- Change controls; and
- Exchange server configuration setting and benchmarking.

**Telecoms/VoIP**

Telecommunications is one of the means by which the Council communicates both internally and with its customers. Voice over IP (VOIP) is a technology that helps provide efficiencies by using the data network to provide voice communications. The audit will therefore look at how the telecoms/VOIP network is managed and administered to maintain voice communications whilst protecting the Council from excessive costs or abuse of the facility. The Council is reviewing its telecoms service and a project is underway to replace the current solution with either a hosted solution at Norfolk County Council or one hosted locally at South Norfolk House. The audit has been placed in the 2015/16 plan to allow that work to complete. Whilst this area only attracted a Medium risk rating during the needs assessment, it has not previously been audited and is considered to be a key area, once the project to implement a replacement solution has been completed. The audit will consider the following aspects of operations:

- System Management and Roles & Responsibilities
- System Security
- Call Restrictions
- Resilience, Disaster Recovery and Maintenance
- System monitoring reports and Value for Money
- Mobile telephony
Revenues and Benefits Application: OPENRevenues

OPENRevenues is the Council’s Revenues and Benefits application, which is used for the collection of Council Tax and National Non Domestic Rates (NNDR), and the administration of Housing Benefits. The application was last audited in 2009/10 and received an Adequate grading at that time. Notwithstanding the Adequate grade and given the length of time since the previous audit, it has been placed in the 2015/16 audit plan. The areas covered in each of these modules include:

- Access Controls;
- Data Input;
- Data Processing;
- Data Output;
- Interfaces;
- Backup and Recovery
- Management Trails; and
- Support Arrangements and Change Controls.

Table 6

<table>
<thead>
<tr>
<th>Auditable Area</th>
<th>Risk</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Audit Needs Assessment (CANA)</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Follow up of audit recommendations</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virus Protection/Spyware</td>
<td>H</td>
<td>5</td>
</tr>
<tr>
<td>Applications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abristas Choice-based lettings application</td>
<td>M</td>
<td>8</td>
</tr>
<tr>
<td>Integra Finance Application</td>
<td>M</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>30</td>
</tr>
</tbody>
</table>

The above extract (Table 6) from the Strategic Computer Audit Needs Analysis (Table 1) shows that three areas, together with a Computer Audit Needs Assessment, are due for review as part of the 2016/17 Audit Plan. These reviews are:

Computer Audit Needs Assessment

A Computer Audit Needs Assessment (CANA) takes into account the current infrastructure and IT requirements at the Council to help develop a strategic, risk based Audit plan to cover the next three years.

Virus Protection/Spyware

Computer viruses can infect the Council’s IT systems from a number of sources including downloads from the internet and e-mail attachments to a user bringing in infected portable media. The result of an infection could range from temporary annoyance due to an increase in processing to the complete shutdown and corruption of the network. The recent trend has also been for systems to be infected with Spyware that are programs that can cause re-direction to internet sites or the monitoring of users internet habits. Virus and Spyware controls are designed to protect the Council’s systems from such threats and this audit will look that the controls in place to protect the Council from this risk. The audit was previously carried out in 2011/12 having received an Adequate grade at that time. As it has been reviewed relatively recently, it has been placed in the 2016/17
audit plan and will be comprised of a reduced scope. The key elements that will be examined in the course of this future audit will be:

- Policies and procedures;
- Anti-Virus / Spyware Software – Technical Control; and,
- User Controls.

**Choice based lettings/Housing (Abritas)**

Abritas is the Council’s Choice-based lettings and Housing application. It is an area that has not previously been audited and its Medium risk rating has placed it in the 2015/16 audit plan with a reduced scope. The audit will cover a reduced scope as follows:

- Access Controls;
- Data Processing;
- Interfaces;
- Backups and Recovery;
- Management Trails; and
- Support Arrangements and Change Controls.

**Integra Finance Application**

The Integra application is of critical importance to the Council’s operation. This application was last reviewed in 2011/12 and arrangements at that time received an Adequate assurance. The audit will cover a reduced scope for the key financial modules within the application, including Accounts Payable, Accounts Receivable and General Ledger and has been placed in the 2016/17 audit plan as the underlying computer hardware that supports the application is expected to have been upgraded by that time. The areas covered within each module will include the following aspects:

- Access Controls;
- Data Processing;
- Interfaces;
- Backups and Recovery;
- Management Trails; and
- Support and Maintenance.

As a consequence of adopting a reduced scope, we will not be evaluating data input and output controls as such.
APPENDIX 1 Governance-based COMPUTER Audit Needs Assessment Methodology

Assessment Categories

The Risk Assessment model takes account of four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the proposed four assessment categories and what each is intended to measure.

<table>
<thead>
<tr>
<th>Assessment Category</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Corporate Importance – Objectives/Priorities</td>
</tr>
<tr>
<td>B</td>
<td>Corporate Sensitivity – Impact</td>
</tr>
<tr>
<td>C</td>
<td>Inherent Risk</td>
</tr>
<tr>
<td>D</td>
<td>Control Risk</td>
</tr>
</tbody>
</table>

The full definition for each category and the scoring criteria are described overleaf.
Assessment Process

Assessment was based on professional judgement after careful consideration of the key risks to the Council with the IT Manager and Director of Finance, Property and IT, a review of current and previous computer audit plans and local strategic issues facing the Council.

The following steps were followed in performing the risk assessment:

<table>
<thead>
<tr>
<th>Step</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Select the Application/Operating System and Corporate Controls to be risk assessed, to ensure a clear and unambiguous understanding of the area under review. This is normally called the Auditable Area</td>
</tr>
<tr>
<td>2</td>
<td>Select the most appropriate assessment criterion and therefore the score in each assessment category</td>
</tr>
<tr>
<td>3</td>
<td>Record the scores.</td>
</tr>
<tr>
<td>4</td>
<td>Compute the risk index by reference to the following section</td>
</tr>
</tbody>
</table>

Calculation of the Audit Risk Index

Internal Audit risk is the product of risk and materiality. In valuing materiality it is appropriate to add the constituent assessments of Corporate Importance and Corporate Sensitivity to generate a Materiality Factor on a scale of 100.

Total Risk is the product of inherent and control risk. For the purposes of simplicity in this model Inherent Risk is assessed on a scale of 5-10 and Control Risk on a scale of 2-10. The minimum Risk Factor is produced by multiplying these components is therefore 10% (2 x 5).

The Audit Risk Index for each auditable area is, therefore, the Materiality Factor multiplied by the Risk Factor.

Results of the Audit Risk Assessment

The structured list of auditable areas with illustrative assessment scores is reported in Appendix C. The Appendix further summarises the scores to give the Risk Factor and Materiality Factor and the resultant Audit Risk Index.

The list of auditable areas is then ranked by reference to the Audit Risk Index and grouped as high, medium or low priority. The top third are considered to be high priority, the next medium priority, and the bottom third low priority.
### Internal Audit Risk Assessment Matrices

#### A Corporate Importance

This aspect considers the effect on a Council of any inability to achieve management defined service objectives should the system or process fail. This aspect also takes into account the financial exposure or materiality of the area. The consequential impact, either directly or indirectly, on other systems and processes is also relevant to the assessment. Overall it is a measure of the extent to which the Council depends on the correct running of the system to achieve its strategic objectives.

<table>
<thead>
<tr>
<th>Score</th>
<th>Risk to Department, Corporate and/or Service Objectives</th>
<th>Operational Risk Exposure</th>
<th>Financial Risk Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Negligible impact on achievement of service objectives. This would still be achieved with minimum extra cost or inconvenience.</td>
<td>or Minor inconvenience</td>
<td>or Under 2% of total operating income or net assets.</td>
</tr>
<tr>
<td>20</td>
<td>Service objectives only partially achievable without compensating action being taken or reallocation of resources.</td>
<td>or Difficult to recover</td>
<td>or Between 2% and 10% of operating income or net assets.</td>
</tr>
<tr>
<td>30</td>
<td>Unable to achieve service objectives without substantial additional costs or time delays or adverse effect on achievement of national targets / performance indicators.</td>
<td>or Permanent loss of data</td>
<td>or Between 10% and 30% of operating income or net assets.</td>
</tr>
<tr>
<td>40</td>
<td>Unable to achieve service objectives resulting in significant visible impact on service provision such as closure of facilities.</td>
<td>or Unable to restore system</td>
<td>or Between 30% and 50% of operating income or net assets.</td>
</tr>
<tr>
<td>50</td>
<td>Unable to achieve service objectives, resulting in inability to fulfil corporate obligations.</td>
<td>or Council unable to function</td>
<td>or Over 50% of total operating income or net assets</td>
</tr>
</tbody>
</table>
**Internal Audit Risk Assessment Matrices**

**B Corporate Sensitivity**  
This aspect takes into account the sensitivity / confidentiality of the information processed, or service delivered by the system, or decisions influenced by the output. It also assesses any legal and regulatory compliance requirements. The measure should also reflect any management concerns and sensitivities.

<table>
<thead>
<tr>
<th>Score</th>
<th>Risk to Public Image</th>
<th>Risk of Adverse Publicity</th>
<th>Risk to Accountability</th>
<th>Risk of non-legal Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Negligible consequences</td>
<td></td>
<td></td>
<td>or No regulatory requirements</td>
</tr>
<tr>
<td>20</td>
<td>Some public embarrassment but no damage to reputation or standing in the community</td>
<td>Information would be of interest to local press</td>
<td></td>
<td>or Minimal regulatory requirements and limited sensitivity to non-compliance</td>
</tr>
<tr>
<td>30</td>
<td>Some public embarrassment leading to limited damage</td>
<td>Information would be of interest to local MPs</td>
<td></td>
<td>or Modest legal and regulatory requirements</td>
</tr>
<tr>
<td>40</td>
<td>Loss of credibility and public confidence in the service concerned</td>
<td>Incident of interest to National Press</td>
<td>Incident potentially leading to the dismissal or resignation of the responsible functional manager</td>
<td>or Extensive legal and regulatory requirements with sanctions for non-compliance</td>
</tr>
<tr>
<td>50</td>
<td>Highly damaging to reputation of the Council with immediate impact on public confidence</td>
<td>Incident of interest to the External Audit and government agencies</td>
<td>Incident potentially leading to the resignation or dismissal of a Chief Officer</td>
<td>or Possible court enforcement order for non-compliance</td>
</tr>
</tbody>
</table>
Internal Audit Risk Assessment Matrices

C  Inherent Risk  This aspect considers the inherent risk of the system, service, process or related assets to error, loss, irregularity, inefficiency, illegality or failure. The particular service sector, nature of operations and the pace of change will also affect the level of inherent risk. Similarly the relative complexity of the system will influence the inherent risk or error. The inherent vulnerability of a system, service or process cannot be altered, only mitigated by the quality of controls considered in section D.

<table>
<thead>
<tr>
<th>Score</th>
<th>Inherent Risk – Vulnerability</th>
<th>Risk of Error due to System Complexity</th>
<th>Risk resulting from Pace of Change</th>
<th>Risk to Asset Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Low vulnerability</td>
<td>Simple system with low risk of error</td>
<td>No changes planned</td>
<td>Undesirable low value assets not at risk of fraud or loss</td>
</tr>
<tr>
<td>6</td>
<td>Medium or low inherent risk</td>
<td>or</td>
<td>Limited changes planned with reasonable timescale</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Medium vulnerability</td>
<td>or</td>
<td>Moderate level of change over medium term</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Medium to high inherent risk</td>
<td>or</td>
<td>Significant level of change with restricted timescale</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Highly vulnerable</td>
<td>or</td>
<td>Extensive changes planned with short timescale</td>
<td>Highly desirable assets exposed to high risk of fraud or loss</td>
</tr>
</tbody>
</table>
**Internal Audit Risk Assessment Matrices**

D Control Risk  This aspect assesses the level of control risk based upon the results of past audits of the control environment under review. This aspect also takes into account of the operating history and condition of systems and processes and knowledge of management controls to minimise exposure to risk. CRSA and extensive Control Risk Workshops under the leadership of the Council’s Risk Manager could support evaluation.

<table>
<thead>
<tr>
<th>Score</th>
<th>History of Risk Management Success</th>
<th>Management Risk and Control Environment</th>
<th>Condition of Risk Management Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>No history of control weakness</td>
<td>or (There is effective risk management in place and adequate controls operated by risk-aware management)</td>
<td>or (Effective controls and robust attitude to the management of all material risks. Embedded risk management culture)</td>
</tr>
<tr>
<td>4</td>
<td>No history of significant weakness</td>
<td>or (Good management risk and control environment)</td>
<td>or (Stable system with history of reliability and controls. Risk management issued considered regularly.)</td>
</tr>
<tr>
<td>6</td>
<td>No high risk issues outstanding from the previous audit/investigation/best value/external review</td>
<td>or (No knowledge of management risk and control environment)</td>
<td>or (Risk management and system controls not validated.)</td>
</tr>
<tr>
<td>8</td>
<td>Some significant problems were identified and are known to be outstanding from the previous audit/review</td>
<td>or (Some significant concerns have been expressed by management (through Controls Risk Workshops))</td>
<td>or (Technical health of system of risk management and controls in doubt.)</td>
</tr>
<tr>
<td>10</td>
<td>Major weaknesses in risk management and controls were identified and are known to be outstanding</td>
<td>or (Major concerns have been expressed by management (through Controls Risk workshops))</td>
<td>or (Obsolete system with history of problems and ineffective control. Little or no work undertaken on risk management.)</td>
</tr>
</tbody>
</table>
Internal Audit’s Charter, Code of Ethics, Audit Strategy, Strategic and Annual Audit Plans, Summary of Internal Audit Coverage and Performance Indicators for 2014/15

Internal Audit Consortium Manager

This report provides an overview of the stages followed prior to the formulation of the Strategic Audit Plan for 2014/15 to 2016/17 and the Annual Audit Plan for 2014/15. The Annual Audit Plan will then serve as the work programme and initial terms of reference for the Authority’s Internal Audit Services Contractor, Mazars Public Sector Internal Audit Ltd, and provide the basis upon which the Internal Audit Consortium Manager will subsequently give Audit Opinions on South Norfolk Council’s system of internal control and risk management, and corporate governance arrangements for 2014/15.

Members’ attention is also drawn to the fact that this is the first time that an Audit Charter has been presented. Previously, Terms of Reference had been submitted annually, but now, in accordance with Public Sector Internal Audit Standards, which came into effect from 1 April 2013, it has been necessary to develop an Audit Charter to reflect how the Internal Audit Service will operate in accordance with updated mandatory standards. The foundations of the Public Sector Internal Audit Standards however are not so fundamentally different to those requirements formerly specified in the CIPFA Code of Practice for Internal Audit, although the structure of the Charter must follow a prescribed format which defines the purpose, authority and responsibility of the Internal Audit activity, and clear definitions need to be given of those governance elements fulfilling responsibilities of the ‘board’ and ‘senior management’.

Cabinet member(s): Garry Wheatley
Ward(s) affected: All
Contact Officer, telephone number, and e-mail: Mrs. Sandra C. King 01508 533863 scking@s-norfolk.gov.uk

1. Background

1.1 In accordance with legislative, regulatory and best practice requirements, South Norfolk Council has made arrangements for a continuous internal audit to examine the accounting, financial and other operations of the organisation. This is effectively achieved through an in-house Audit Management Team, plus contractual and group agreement arrangements, which exist between Breckland, Broadland, South Norfolk, and North Norfolk District Councils, Great Yarmouth Borough Council and the Broads Authority, collectively known as the Norfolk Internal Audit Consortium. All authorities have signed an agreement under which South Norfolk Council procures delivery of Annual Audit Plan and any specified
ad-hoc assignments from an external contractor on behalf of the six named organisations. As part of this agreement an Audit Charter and overarching Strategy which explain the methodology that has been applied when determining future audit coverage of the organisation’s business operations has been developed.

1.2 A number of other key supporting papers have also been developed to ensure clarity regarding the Code of Ethics that will be adopted by Internal Auditors, together with the Performance Indicators to be used to monitor service delivery. In conjunction with these documents, an insight into future audit input envisaged over the next 3 years has been provided via a new Strategic Audit Plan for 2014/15 onwards, alongside a more detailed analysis of audit assignments being lined up for the next financial year. The sequencing of the latter is encapsulated in the Annual Audit Plan for 2014/15 and a Summary of Internal Audit Coverage has also been compiled, which explains where audit focus will be directed.

2. THE AUDIT CHARTER

2.1 The Public Sector Internal Audit Standards have been primarily introduced to:
- Define the nature of internal auditing;
- Set basic principles for carrying out internal audit;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

As part of evidencing that these requirements are being adhered to, there is a duty on the Internal Audit Service to construct an Audit Charter which demonstrates how these elements are being handled and managed. The Internal Audit Consortium Manager has therefore compiled a Charter which covers off the above requirements, acknowledging too that some additional appendices have been needed to give further clarity on important issues such as the Code of Ethics and the Performance Indicators adopted by the Internal Audit function.

2.2 In migrating from previously maintained Terms of Reference (which were last reviewed by the Finance, Resources, Audit and Governance Committee in March 2013) to the establishment of an Audit Charter that fully complies with the mandatory standards, it has been necessary to:
- Apply a revised definition of internal auditing. Under previous Code of Practice arrangements, the emphasis had been on Internal Audit as an assurance function, whereas now there is recognition that the function should be operating on two levels, providing assurance and also giving advice and guidance on governance and control, in a consulting capacity.
- Utilise the Audit Charter to establish the purpose, authority and responsibilities of the Service provision, its rights of access and the scope of its activities.
- Develop information explaining Quality Assurance and Improvement processes to be followed, which includes commentary on how both internal and external assessments will be addressed.

- Recognise and define in the Audit Charter, the terms ‘board’ and ‘senior management’ for the purposes of Internal Audit activity and acknowledge the role of the Chief Audit Executive. The interpretation of these important governance roles at South Norfolk Council has therefore been examined at Section 4 of the Charter in the section covering Organisation and Relationships.

2.3 Finally, there is an obligation under the mandatory standards to review and represent the Audit Charter in much the same way that previous Terms of Reference had to be revisited annually. The Charter has to be re-evaluated by the Internal Audit Consortium Manager to confirm its ongoing validity and completeness, and thereafter, the documentation requires the scrutiny and endorsement of senior management, the Finance, Resources, Audit and Governance Committee, plus Cabinet.

2.4 The Audit Charter can be found attached at Appendix 1 and is sub-divided into 10 Sections, which dovetail with key elements of the Public Sector Internal Audit Standards, whilst the Performance Indicators by which service delivery will be measured are included at Appendix 8.

3. CODE OF ETHICS

3.1 An addendum to the Audit Charter headed up ‘Internal Audit - The Code of Ethics for 2014/15’ sets out the expected behaviours of Internal Audit staff in relation to service delivery and is located at Appendix 2. The basis of standards of conduct for 2014/15 remain unchanged with reference to those followed by Internal Audit in 2013/14, as the Code of Ethics developed for the current financial year was originally rewritten to mirror the incoming obligations in this area as per the Public Sector Internal Audit Standards. It has, however, been necessary to make one small amendment to the Code of Ethics for 2014/15, in relation to Section 6 of the Code of Ethics, and this has been to mark the changeover from the Deloitte auditors to the Mazars auditors, the latter now being engaged to deliver the Annual Audit Plan for the South Norfolk Council. It is to be noted that the nature of the Internal Audit Services contractor’s role has been more fully explored in several sections of the Audit Charter.

3.2 Aside from the Code of Ethics, the Internal Audit Consortium Manager in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA’s Statement on the Role of the Head of Internal Audit, and it is further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies’ Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer or the client authority served.
4. INTERNAL AUDIT STRATEGY

4.1 The Internal Audit Strategy (see Appendix 3) is another document that sits alongside the Audit Charter, but with the overarching purpose of establishing how the annual programme of audit assignments has been devised, in terms of the process followed when undertaking the annual audit needs assessment, the risk factors applied and how this information is then used to populate the Strategic and Annual Audit Plans.

4.2 Following a review of the Strategy and extensive discussions with the Deputy Chief Executive, Director of Environment & Housing, Director of Growth & Localism, Head of Finance (and Section 151 Officer), Head of Asset Management, Head of Business Improvement, ICT Operations Manager and Healthy Living Manager between the dates of the 12 March and 24 March 2014, regarding audit coverage of Council operations envisaged over the next 3 years, management’s acceptance was obtained to proposals put forward. In the course of this liaison with management, it was further confirmed that it was no longer viable to support a previously agreed move from annual to 2-yearly audit examination of the systems of risk management and corporate governance arrangements. The Public Sector Internal Audit Standards have influenced this change of approach, whereby Internal Audit will once again undertake annual assessments of the provisions in these areas.

4.3 When compiling the new Strategic Audit Plan for 2014/15 onwards, it was further noted that an audit earmarked for delivery in 2013/14 subsequently had to be deferred. This particular assignment relating to Business Improvement had needed to be postponed at the time due to the recent restructuring of the team and to ensure that this was fully embedded and the new staff were settled within their respective roles prior to the audit starting. Hence, the requirement for this audit has been carried over to the new Strategic Plan, as well as the new Annual Audit Plan for 2014/15. In addition an element of the Localism and Communities audit scheduled for completion in 2013/14, has since been carried forward to the 2014/15 Annual Audit Plan. After liaison with management, it was accepted that scrutiny of Community Grants (Capital and Revenue) should be delayed to 2014/15, in order to permit management to review the Grants process currently in place, finalise new procedures and then allow these revised arrangements to become embedded, such that activity under the new regime could then be examined by Internal Audit.

5. THE STRATEGIC AUDIT PLAN FOR APRIL 2014 TO MARCH 2017

5.1 The overarching objective of the Strategic Audit Plan (included at Appendix 4) 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.

5.2 In the past, there has been some variation, year-on-year, with regards to the number of planned audit days and projects requiring delivery by Internal Audit Services. Going forward, we confirm that there is a continuing need for wide ranging review work in order to meet Public Sector Internal Audit Standards and
the revised definition of Internal Auditing that they have introduced but we have also tried to balance the quota of days required annually, smoothing out peaks and troughs in audit coverage arising in the past. We have therefore striven to produce a new Strategic Audit Plan which satisfies the obligations of the Public Sector Internal Audit Standards, and provides a more predicable number of days per year, which equate to an acceptable minimum level of audit coverage capable of generating the requisite audit assurances to the organisation, whilst also being affordable, as confirmed with the Head of Finance.

5.3 In terms of bottom line yearly totals on the new Strategic Plan, they are not dissimilar to those appearing in the Strategic Plan for 2013/14, approved by the Finance, Resources, Audit and Governance Committee on 7 March 2013 and Cabinet thereafter. However, when comparing the revised planned days for 2013/14 with the proposed planned days for 2014/15, there appears to be a marked increase of 10.4% in resources required to deliver new year assignments and the overall annual audit opinion. This has been partly due to the fact that the originally approved Annual Audit Plan for 2013/14 had aggregated 248 days, although this figure was later commuted to 230 days due to 17 days of work requiring deferral to 2014/15, with reference to Business Improvement and Community Grants, and amendments to two other job budgets were required, resulting in a net adjustment of one further day’s savings on previously approved planned provisions.

6. THE ANNUAL AUDIT PLAN FOR APRIL 2014 TO MARCH 2015

6.1 Having developed the Strategic Audit Plan, the Annual Audit Plan is next extracted, as can be seen in Appendix 5 to the report, with timings added to show the sequencing of assignments over the course of the financial year. The Annual Audit Plan for 2014/15 as already mentioned above totals 254 days, encompassing 19 assignments and audit verification work concerning audit recommendations implemented to improve the Council’s internal control environment.

7. SUMMARY OF INTERNAL AUDIT COVERAGE FOR 2014/15

7.1 The Summary information, attached at Appendix 6 has next been formulated to give an indication as to the nature of forthcoming work over the next 12 months. The information has been developed to ensure that members of the Senior Leadership Team, other key managers, the Finance, Resources, Audit and Governance Committee plus Cabinet have a clear understanding as to the direction of Internal Audit work over the course of the new financial year, but additionally, that both External Audit and the Internal Audit Services contractor receive a steer as to the focus of individual audits over the coming year. Certainly, as far as the Internal Audit Services contractor is concerned; the Summary document offers a starting point for more detailed audit planning meetings with management. However, the guidance therein should be viewed with some flexibility, as the scope and subsequent parameters for some audits may need to alter in the event of changing corporate priorities, and/or terms of reference requiring adoption may not become wholly clear until discussions have been held with management as to the key priorities and risks facing service
delivery, as well as due consideration being given to how forthcoming audits might potentially add further value for the organisation.

7.2 In the course of reviewing the Summary of Internal Audit coverage, it is also helpful to look at this future planned input in conjunction with the outcomes of previous work conducted in the relevant areas. For this purpose, the Assurance Chart is provided (as attached at Appendix 7), which records previous opinions given to areas audited.

8 Proposal and Reasons

8.1 The Finance, Resources, Audit and Governance Committee and Cabinet are requested to approve the attached Strategic and Annual Audit Plans and supporting documentation. In doing so, the Committee and Cabinet are ensuring that the Internal Audit Service remains compliant with legislative requirements, the Public Sector Internal Audit Standards and the CIPFA Statement on the Head of Internal Audit in Public Sector Organisations. The documents confirm that all relevant areas of the Council’s operations have been risk assessed for audit purposes, and cyclical coverage has been put forward to facilitate delivery of an appropriate level of audit input year-on-year which can then be used to generate requisite annual audit opinions for the organisation at financial year end.

9. Other Options

9.1 The Audit Plans presented have been derived from the Annual Audit Needs Assessment by the Internal Audit Consortium Manager. Failure to support these plans, and potentially consider further reductions in the audit coverage, could result in the Internal Audit Consortium Manager not being able to provide the requisite annual opinions, and may lead to the Council's External Auditors having to increase the work they are required to perform.

10. Relevant Corporate Priorities

10.1 Through undertaking a risk-based assessment, Internal Audit ensures that its resources are directed at those areas where there is greatest need for scrutiny, and through performing its role to drive services forward in improving the internal control framework and thus ensuring the services are being business-like in providing services to South Norfolk residents.

11. Implications and Risks

11.1 Steps have been taken when formulating Internal Audit coverage for the year ahead, to ensure that the proposals put forward are affordable and do not exceed the approved audit budget for 2014/15.
12. Conclusion

12.1 In reviewing and approving the Audit Charter and related strategic and operational audit planning information, the Finance, Resources, Audit and Governance Committee is making appropriate provisions to ensure that the Internal Audit requirements as stated in the Local Government Finance Act 1982, c.32 and the Accounts and Audit Regulations 2011 are being properly met, and due support is being given to securing an Internal Audit Service, which is compliant with statutory internal auditing standards applicable to public sector organisations.

13. Recommendation

13.1 It is recommended that the Committee and subsequently Cabinet: approve:

- Internal Audit’s Charter for 2014/15;
- Internal Audit’s Code of Ethics for 2014/15;
- Internal Audit’s Strategy for 2014/15;
- The Strategic Audit Plan for 2014/15 to 2016/17;
- The Annual Audit Plan for 2014/15;
- The Summary of Internal Audit Coverage for 2014/15; and,
- Performance Indicators for 2014/15.

Appendices:

Appendix 1: Terms of Reference for Internal Audit for 2014/15
Appendix 2: Internal Audit – Code of Ethics for 2014/15
Appendix 3: Internal Audit Strategy for 2014/15
Appendix 4: Strategic Audit Plan – April 2014 to March 2017
Appendix 5: Annual Audit Plan – April 2014 to March 2015
Appendix 6: Summary of Internal Audit Coverage for 2014/15
Appendix 7: Assurance Chart
Appendix 8: Performance Indicators for 2014/15
1. Introduction

1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.

1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that basically defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the Internal Audit Service within South Norfolk Council; its authority to access to records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities.

1.3 There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Finance, Resources, Audit and Governance (FRAG) Committee and Cabinet, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. Purpose

2.1 In accordance with the PSIAS, Internal Auditing is defined as an independent, objective assurance and consulting activity designed to add value and improve the Council’s operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3. Authorisation

3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2003, as amended in 2006 and 2011, which state that “a relevant body must undertake an adequate and effective internal audit of
its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within South Norfolk Council’s Constitution.

3.2 Further, there are additional requirements place upon the Chief Audit Executive (as more fully defined below in Section 4 - Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations, whilst the Council’s Constitution makes Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer. The role of Section 151 Officer at South Norfolk Council is fulfilled by the Head of Finance.

3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
- physical properties, i.e. premises and land, plus cash, stores or any other Council property; and,
- personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities;

recognising that all of the requirements stated above are pertinent to Internal Audit being able to carry out its commitments/engagements. 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.

4. Organisation and Relationships

4.1 Within the PSIAS, the terms 'Chief Audit Executive,' ‘Board’ and ‘Senior Management’ are used to describe key elements of the organisation’s governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. At South Norfolk Council, the following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council.

4.2 Chief Audit Executive

4.2.1 The Chief Audit Executive is the Internal Audit Consortium Manager. Further, the Internal Audit Service is delivered by means of a Group Agreement that exists between Breckland, Broadland, South Norfolk and North Norfolk District Councils, Great Yarmouth Borough Council and the Broads Authority, collectively known as the Norfolk Internal Audit Consortium. All authorities have signed an agreement under which South Norfolk Council procures delivery of Annual Audit Plans and any specified ad-hoc assignments from an external contractor on
behalf of the six named organisations. The contractor was originally Deloitte & Touche Public Sector Internal Audit Ltd but following a shares purchase agreement is now Mazars Public Sector Internal Audit Ltd, with effect from 1 February 2014. It is further noted that the current contract has been in place since 1 October 2007 and is due to expire on 30 September 2014.

4.2.2 As a consequence of the service structure outlined above, the Internal Audit Consortium Manager heads up an Audit Management Team situated within the Council’s Corporate Resources Directorate, acts as the Contract Manager to Mazars Public Sector Internal Audit Ltd, and reports directly to the Deputy Chief Executive at the Council for administrative purposes.

4.2.3 The Internal Audit Consortium Manager also has a direct line of reporting to the Head of Finance at the Council, given that this individual is the designated ‘Responsible Financial Officer/Section 151 Officer’, who is charged with controlling and directing a continuous Internal Audit.

4.2.4 In response to requirements laid down within the PSIAS, it is further confirmed that the Internal Audit Consortium Manager has a direct reporting line and free and unfettered access to the Chief Executive at South Norfolk Council.

4.3 Board

4.3.1 In the context of overseeing the work of Internal Audit at South Norfolk Council, the ‘Board’ is primarily the FRAG Committee of the Council, but additionally Cabinet has a role in approving audit related documentation, in accordance with Corporate Governance arrangements at the Council. Both FRAG Committee and Cabinet thus have some shared responsibility for the following with reference to Internal Audit:

- Agreeing the Internal Audit Charter.
- Approving the risk based Strategic and Annual Audit Plans, together with a Summary of Internal Audit Coverage for the forthcoming financial year.
- Reviewing progress achieved in relation to the completion of assignments featuring in the Annual Audit Plan.
- Monitoring delivery of agreed Audit Recommendations.
- Approving updated versions of the Counter Fraud, Corruption and Bribery Policy and Whistleblowing Policy, as appropriate.
- Considering the findings and conclusions of any Special/Ad-hoc investigations commissioned by the FRAG Committee or members of the authority's senior management, i.e. Senior Leadership Team.
- Noting the Annual Report and Opinion of the Internal Audit Consortium Manager.
- Noting the outcomes of Annual Audit Committee Self Assessment exercises.
- Considering the outcomes of the Annual Review of the Effectiveness of the Internal Audit Service.
- Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.
- Approving the Audit Joint Working Protocol between Internal and External Audit.

4.3.2 Internal Audit will work closely with the Chair and members of the FRAG Committee to facilitate and support the activities of this Committee. Moreover, the Internal Audit Consortium Manager also has a direct reporting line, and free and unfettered access to the Chair of the FRAG Committee.

4.4 Senior Management

4.4.1 In the context of ensuring effective liaison between Internal Audit and senior officers responsible at South Norfolk Council for specific aspects of internal control and governance, in a way that ensures the independence of Internal Audit, and provides for a critical challenge to the way that Internal Audit activities are carried out, ‘Senior Management’ for the purposes of this Charter are the Senior Leadership Team of which the Section 151 Officer (Head of Finance) is a key member.

4.5 External Audit

4.5.1 In terms of Internal Audit’s interaction with the Council’s External Auditors – Ernst and Young, an Audit Joint Working Protocol has been developed, which recognises the respective responsibilities of each body, relevant audit areas that will be covered, liaison and information sharing arrangements between the two bodies, audit testing and sample size requirements to be observed by the two bodies and generic key financial controls requiring examination each year. The Protocol has been primarily devised to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties, whilst also ensuring that External Audit can place maximum reliance on the work of Internal Audit, wherever possible.

4.6 Other Internal Audit Service Providers

4.6.1 Internal Audit will also liaise with other Council’s Internal Audit Service providers, where shared service arrangements exist between themselves and South Norfolk Council. In such cases, a dialogue will be opened with the other Council’s equivalent Chief Audit Executive to agree a way forward regarding the future auditing of ‘shared’ services, which will be both efficient and cost effective for all parties involved, and cause least disruption to the area(s) being audited.

4.6.2 In the event of South Norfolk’s Internal Auditors undertaking work for other Councils outside the Norfolk Internal Audit Consortium, arrangements over liability of internal audit work performed will be covered by either a Hold Harmless letter with Mazars Public Sector Internal Audit Ltd, or contractual arrangements will be extended through a Standard Letter of Engagement – whichever is the
appropriate response at the time. Conversely, if the other Council’s Internal Auditors are nominated to undertake audit work on behalf of South Norfolk Council, formal confirmation of their liability/accountability for that work will be required, so that full reliance can be placed upon the audit working papers and report generated in consequence. In addition, South Norfolk’s Internal Audit Consortium Manager will review all such work to ensure that it is providing the requisite assurances to feed into her annual audit opinion and should it be found that insufficient or inadequate work has been carried out, South Norfolk’s Internal Audit Consortium Manager reserves the right to request additional work is undertaken.

4.7 Other External Review and Inspection Bodies

4.7.1 The Internal Audit Section confirms it will likewise co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5. Objectives and Scope

5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council’s core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.

5.3 A risk based Strategic Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the Council’s Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council’s overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant. The way in which the Strategic Audit Plan is evolved, is explored further within the Charter at Section 8.2 Audit Planning and, in Appendix 3 – Internal Audit Strategy.

5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:

5.4.1 The design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities.
5.4.2 The effectiveness of the Council’s processes for performance management and accountability.

5.4.3 The Council’s IT governance provisions in supporting the organisation’s corporate priorities, objectives and strategies.

5.4.4 The Council’s risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation’s risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.

5.4.5 The provisions developed to support achievement of the organisation’s strategic objectives and goals.

5.4.6 The systems formulated to secure an effective internal control environment.

5.4.7 The completeness, reliability, integrity and timeliness of management and financial information.

5.4.8 The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.

5.4.9 The systems designed to safeguard Council assets and employees.

5.4.10 The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.

5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; as previously acknowledged at Section 4.2.3 of the Charter, the Service will also provide support to the Head of Finance in the discharge of her duties as the Section 151 Officer with responsibility for the probity and effectiveness of the Authority’s financial arrangements and internal control systems.

5.6 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit.

5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the FRAG Committee (and Cabinet, where appropriate) of such situations.

6. Independence

6.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function,
and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.

6.2 The framework allows the Internal Audit Consortium Manager direct access to and the freedom to report unedited in her own name, as she deems appropriate, to the FRAG Committee and Cabinet, the Chief Executive, the Head of Finance (Section 151 Officer) and the Senior Leadership Team.

6.3 Internal Auditors have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility.

6.4 If however, Internal Audit's independence or objectivity is impaired in fact or appearance, the details of impairment will be disclosed to senior management, the FRAG Committee and Cabinet. The nature of the disclosure will depend upon the impairment.

6.5 The Internal Audit Consortium Manager will confirm to the FRAG Committee and Cabinet, at least annually, the organisational independence of the Internal Audit activity.

7. Professional Standards

7.1 South Norfolk Council's Internal Auditors operate in accordance with the Public Sector Internal Audit Standards, 2013.

7.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by South Norfolk Council. These include the Constitution (with special attention to the Rules for Financial Governance plus Contract Standing Orders), the Counter Fraud, Corruption and Bribery Policy, and the Code of Conduct. Similarly, the Council’s Internal Auditors will be heedful of external bodies’ requirements (e.g. as identified by CIPFA), and all legislation affecting the Council’s activities.

7.3 The Council’s Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS, details of which are explained at Appendix 2.

7.4 Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council.

7.5 All working arrangements and methodologies, which will be followed by the South Norfolk Council's Internal Auditors are set out in the Audit Manual maintained by the Audit Management Team, the Specification within the Internal Audit Services Contract, and the Internal Audit Services contractor's own Audit Manual and quality assurance processes.
8. Audit Resources and Planning

8.1 Audit Resources

8.1.1 The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.

8.1.2 The Internal Audit Consortium Manager will ensure that the Internal Audit Service has access to a team of staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include computer audits, contract audits, systems reviews, grant certification work, consultancy input to new/modified systems, and special/fraud investigations.

8.1.3 In the event of special/fraud investigations being required, there is no contingency in the Audit Plans to absorb this work. Hence, additional resources will need to be made available to the Internal Audit Service when such input is necessary.

8.2 Audit Planning

8.2.1 In accordance with earlier statements made at Section 5.3 of the Charter, the Chief Audit Executive will develop an annual audit strategy, together with strategic and annual audit plans and a summary of annual audit coverage using a risk based methodology, which takes into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to the Internal Audit Consortium Manager by senior management. Copies of these documents will then be submitted to Senior Leadership Team for their approval prior to being taken forward to the FRAG Committee and Cabinet for final endorsement, in advance of the new financial year to which they relate.

8.2.2 The audit strategy can be found in Appendix 3 and explains the processes followed to populate the risk based Strategic Audit Plan attached at Appendix 4. From the Strategic Audit Plan, an Annual Audit Plan will be extracted, which is included at Appendix 5 and a Summary of Annual Audit Coverage drawn up after consultation with senior management. Audit Coverage information is contained within Appendix 6.

8.2.3 The Annual Audit Plan includes the timing, as well as budget and resource requirements for the next fiscal year. Completion of the assignments is contracted to Mazars Public Sector Internal Audit Ltd and the outcomes of their work will be monitored throughout the year with any requested deviations to the approved Plan being agreed with the Section 151 Officer, before then being brought to the attention of the FRAG Committee through the periodic activity reporting process.
9. Reporting

9.1 Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Council’s Annual Governance Statement.
- Provides a formal record of points arising from the audit and management responses to issues raised, to include acceptance of audit recommendations with implementation timescales, as well as reasons for rejecting recommendations.
- Prompts management to implement agreed actions within targeted dates.

9.2 The Internal Audit Consortium Manager or their nominated Deputy will approve a draft version of all reports before their issue to the relevant officer, e.g. Chief Executive, Deputy Chief Executive, Director and/or Head of Service. A copy is also supplied to the Head of Finance.

9.3 Exit meetings will be accommodated if senior management wish to discuss issued Draft Audit Reports with the Internal Audit Services contractor, the Internal Audit Consortium Manager or their nominated Deputy.

9.4 Accountability for management’s response to Internal Audit recommendations lies with the Chief Executive, Deputy Chief Executive, Directors and/or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the FRAG Committee and Cabinet.

9.5 Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers. The FRAG Committee will also be provided with management summaries from Final Audit Reports on a twice-yearly basis, via Internal Audit’s Progress Report and the Internal Audit Consortium Manager’s Annual Report. There is also scope for additional reporting, if required by members.

9.6 Where Action Plans apply to Final Audit Reports – these will be subject to follow up input. Management are requested to comment on progress achieved in relation to agreed actions at 3-monthly intervals, following formal issue of the Final Audit Report. In addition, Internal Audit will undertake verification work to review evidence of action initiated and the outcomes of this work will be communicated to the FRAG Committee and Cabinet at agreed intervals.
9.7 The Internal Audit Consortium Manager’s Annual Report

This will contain the annual audit opinion commenting upon:

9.7.1 The scope including the time period to which the opinions pertains;

9.7.2 Scope limitations;

9.7.3 Consideration of all related projects including the reliance on other assurance providers;

9.7.4 The risk or control framework or other criteria used as a basis for the overall opinion;

9.7.5 The overall opinion, providing reasons where an unfavourable overall opinion is given; and

9.7.6 A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

9.8 The full range of Internal Audit related reports to be brought to the attention of South Norfolk’s FRAG Committee and Cabinet are listed out at Section 4.3.1 of this Charter.

10. Quality Assurance and Improvement

10.1 The PSIAS require that the Internal Audit Consortium Manager develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the Internal Audit Consortium Manager will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management, the FRAG Committee and Cabinet.

10.2 Internal Assessments

10.2.1 Internal Assessments must include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators, which are confirmed in the Internal Audit Services contract and detailed at Appendix 8. Contractor performance is subject to regular review by the Audit Management Team.

10.2.2 Internal arrangements also include receipt of post audit feedback from auditees and should criticism be received, this will immediately be investigated with the Internal Audit Services contractor and steps taken to resolve matters raised.

10.2.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient
knowledge of Internal Audit practices. This obligation is satisfied by the Internal Audit Consortium Manager performing an annual self-assessment of the effectiveness of Internal Audit, the outcomes of which are then forwarded to the Section 151 Officer with appropriate evidence, for their independent scrutiny, before the results are submitted to the FRAG Committee and Cabinet. Presenting this information to the FRAG Committee and Cabinet enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the Internal Audit Consortium Manager.

10.3 **External Assessments**

10.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self assessment with independent external verification. The Internal Audit Consortium Manager will agree with the Head of Finance, the FRAG Committee and Cabinet:

- The form of the external assessments; and,
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

10.3.2 The Internal Audit Consortium Manager will use their professional judgement when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified. An independent assessor or assessment team means not having any real or apparent conflict of interest and not being part of, or under the control of South Norfolk Council, i.e. the organisation to which the Internal Audit activity belongs.
1. Introduction

1.1 This Code of Ethics sets the minimum standards for the performance and conduct of South Norfolk Council’s Internal Auditors. It is intended to clarify the standards of conduct expected from the Internal Auditors when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties. This Code applies to all staff responsible for delivering Internal Audit within Breckland, Broadland, South Norfolk and North Norfolk District Councils, Great Yarmouth Borough Council and the Broads Authority, but does not supersede or replace the requirement on individual auditors to comply with their own professional bodies’ Codes of Ethics, as qualified members or student members, as well as any organisational Codes of Ethics or Conduct relating to their employer or the client authorities they serve.

There are four main principles, which must be observed in addition to having due regard to the Committee on Standards of Public Life’s ‘Seven Principles of Public Life’. The principles involved are as follows:

- Integrity;
- Objectivity;
- Confidentiality; and,
- Competency.

2. Integrity

2.1 Principle

2.1.1 The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

2.2 Rules of Conduct

South Norfolk Council’s Internal Auditors shall:

2.2.1 Perform their work with honesty, diligence and responsibility.

2.2.2 Observe the law and make disclosures expected by the law and the profession.

2.2.3 Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.

2.2.4 Respect and contribute to the legitimate and ethical objectives of the organisation.
2.3 Summary

2.3.1 Thus South Norfolk Council’s Internal Auditors will demonstrate integrity in all aspects of their work. Their relationship with colleagues and external contacts should be one of honesty and propriety. Such conduct will both support and develop an environment of trust, which provides the basis for reliance on all activities carried out by the Internal Auditors.

3. Objectivity

3.1 Principle

3.1.1 Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

3.1.2 Furthermore, Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

3.2 Rules of Conduct

South Norfolk Council’s Internal Auditors shall:

3.2.1 Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

3.2.2 Not accept anything that may impair or be presumed to impair their professional judgement.

3.2.3 Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3.3 Summary

3.3.1 Objectivity is a state of mind that has regard to all considerations relevant to the activity or process being examined without being unduly influenced by personal interest or the views of others. South Norfolk Council’s Internal Auditors will display professional objectivity at all times when providing opinions, assessments and recommendations.

4. Confidentiality

4.1 Principle

4.1.1 Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
4.2 Rules of Conduct

South Norfolk Council’s Internal Auditors shall:

4.2.1 Be prudent in the use and protection of information acquired in the course of their duties.

4.2.2 Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4.3 Summary

4.3.1 South Norfolk Council's Internal Auditors will therefore utilise information received in the appropriate manner and for the purpose it was originally requested and provided, as prescribed by the requirements of the above Rules of Conduct, and will additionally take suitable steps to safeguard all information made available.

5. Competency

5.1 Principle

5.1.1 Internal Auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

5.2 Rules of Conduct

South Norfolk Council’s Internal Auditors shall:

5.2.1 Engage only in those services for which they have the necessary knowledge, skills and experience.

5.2.2 Perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

5.2.3 Continually improve their proficiency and effectiveness and quality of their services.

5.3 Summary

5.3.1 South Norfolk Council's Internal Auditors will not accept or perform work that they are not competent to undertake, unless they have received adequate training and support to carry out the work to an appropriate standard.

5.3.2 It is also essential that the Head of Internal Audit operates in accordance with the best practice guidance recommended in CIPFA’s Statement on ‘The Role of the Head of Internal Audit’ and undertakes an annual compliance check against the core principles stated therein.
6. **Operational Arrangements**

6.1 **Achieving Compliance with the Code of Ethics**

6.1.1 On an annual basis, the Internal Audit Consortium Manager, the Deputy Audit Manager and the Mazars Auditors will revisit the Code of Ethics to reinforce their understanding of and confirm their on-going commitment to the obligations placed upon them as specified in this document, and ensure that they continue to fully comply with these when discharging their day-to-day duties in relation to South Norfolk Council.

6.2 **Securing Integrity**

6.2.1 In order to be assured that the Internal Auditors demonstrate integrity in all aspects of their work, quality control processes have been developed to protect South Norfolk Council’s position in this matter.

6.3 **Maintaining Audit Objectivity**

6.3.1 In addition, it is essential that Internal Audit personnel are able to demonstrate independence and hence, objectivity. To this end, Internal Audit staff are obligated to declare potential conflicts of interest as they arise, so as to enable other staff to be assigned to specific reviews, thereby avoiding any compromising of independence. Audit objectivity will also be upheld, in so far as Internal Auditors will not be able to carry out audits in an area where they have had previous operational roles within the last 12 months.

6.4 **Observing Confidentiality**

6.4.1 A breach of confidentiality by an Internal Auditor will not be tolerated and will result in the expulsion of the individual from the Internal Audit Services contract.

6.5 **Demonstrating Competency**

6.5.1 It is a pre-requisite that all Internal Audit staff are aware of and understand:
- The organisation’s aims, objectives, risk and governance arrangements;
- The purpose, risks and issues affecting the service area to be audited;
- The terms of reference for the audit assignment so that there is a proper appreciation of the parameters within which the review will be conducted; and,
- The relevant legislation and other regulatory arrangements that relate to the service areas to be audited, e.g. Statutes, the Authority’s Scheme of Powers delegated to Officers, the Authority’s Rules for Financial Governance and Contract Standing Orders, Partnership/Service Level Agreements, Internal Strategies/Policies/Procedural Notes.
Annual Report of the Finance, Resources, Audit and Governance Committee
2013/14

Deputy Audit Manager

The purpose of this report is to summarise the work of the Finance, Resources, Audit and Governance Committee during 2013/14, confirm that it has operated in accordance with its Terms of Reference, has sought to comply with best practice as detailed in the publication ‘A Toolkit for Local Authority Audit Committees’ and demonstrated effective challenge during its meetings in the year.

Cabinet member(s): Garry Wheatley
Ward(s) affected: All

Contact Officer, telephone number, and e-mail: Emma Hodds 01508 533791 ehodds@s-norfolk.gov.uk

1. Background

1.1. South Norfolk Council’s Finance, Resources, Audit and Governance Committee has been in operation since 2012 and held its inaugural meeting on 28 June 2012. This is the first annual report of the Committee and will look back on the activity to date for the 2013/14 financial year, providing commentary on key areas such as; membership of the Committee, its Role and Remit, and the work considered during the course of the formal and informal meetings.

1.2. At Full Council on 21 May 2012 it was agreed to implement a new committee structure at South Norfolk, the key aspects were; enabling a clear distinction between executive, scrutiny and regulatory roles, developing a Council that is “fit for the future” though having Councillors who are charged with the necessary skills, knowledge and insight, ensuring a more proactive approach to the development of policy and to ensuring compliance with the Localism Act. As a result of the new structure the Finance, Resources Audit and Governance Committee were constituted to review the required items previously assessed by the Accounts, Audit and Governance Committee.

1.3. This report highlights that the Committee operates in accordance with best practice requirements, and plays an important role in the Council’s scrutiny and governance framework.
2. **Current Position and Issues**

2.1. **Membership of the Committee**

2.1.1 During 2013/14, the Committee will have met on 4 occasions, and comprises of 7 elected members. When reviewing participation by elected members at the first 3 Committee meetings held in 2013/14, a total of 19 out of 21 (90%) possible attendances have been recorded. It is noted that elected members serving on the Committee, when unable to attend, have provided apologies in both instances, and in one case a substitute member was in attendance. The Portfolio Holder for Finance and Resources has been in attendance for all of the meetings to date in 2013/14. There has also been a consistently strong level of officer support throughout the year; including regular representation from Finance, Internal Audit and the Council’s appointed External Auditors. In addition an external consultant led a session around the Council’s approach to Risk Management.

2.1.2 The Committee has also ensured that it operates to the highest standards, and with this in mind, an annual self-assessment exercise was undertaken on 3 September 2013.

2.2. **The Role and Remit of the Finance, Resources, Audit and Governance Committee**

2.2.1 The Terms of Reference of the Committee are established in the Council’s Constitution, agreed by Full Council on 21 May 2012 as a result of the committee structure changes.

2.2.2 The key features highlighted within the Terms of Reference specifically include reviewing:

- The draft statement of accounts;
- The final statement of accounts;
- The external auditors report on the statement of accounts;
- The Head of Internal Audit’s annual report and opinion;
- The effectiveness of the Council’s internal audit service; and
- The internal and external auditor’s annual plans.

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

2.3. **Work considered by the Finance, Resources, Audit and Governance Committee during the year**

2.3.1 Reports have been submitted to the Committee on a number of topics throughout 2013/14, including:

**Internal Control and Assurance Processes – Internal Audit related:**

- South Norfolk Council Annual Audit Report and Opinion for 2012/13
- CNC Annual Audit Report and Opinion for 2012/13
- Annual Review of the Effectiveness of Internal Audit for 2012/13
• Progress Report on Internal Audit Activity 1 April to 6 September 2013
• Progress Report on Internal Audit Activity 7 September 2013 to 21 February 2014
• Status of Audit Recommendations due to be implemented between 1 April and 30 June 2013
• Verbal reports on the progress made on the Audit Procurement (received at 3 meetings)
• Internal Audit’s Charter, Strategic and Annual Audit Plans and Summary of Internal Audit Coverage for 2014/15
• Internal / External Audit Working Protocol
• Local Audit and Accountability Act

Internal Control and Assurance Processes – External Audit related:

• Annual Governance Report
• Certification of Claims and Returns – Annual Report for 2012/13
• External Audit Plan 2013/14

Financial Reporting Arrangements related:

• Review of Draft Statement of Accounts 2012/13
• Annual Governance Statement (draft)
• Statement of Accounts 2012/13 and Annual Governance Statement 2012/13 (final)
• Response to CIPFA consultation of Accounts

Counter Fraud related:

• Whistleblowing Policy and Counter Fraud, Corruption and Bribery Strategy
• Report on Counter Fraud Activity 2012/13

Audit Committee related:

• FRAG Self-Assessment Exercise
• FRAG Work Programme (each meeting)
• Annual Report of the Finance, Resources, Audit and Governance Committee

Informal meetings / training have also considered:

• The Council’s approach to Risk;
• What to look for in the final accounts; and
• A Review of the Asset Management Plan.

2.4. Overview of Key Items considered and reviewed during the year

2.4.1 Draft and Final Statement of Accounts

The Committee examined the draft statement of accounts in June 2013 and the Head of Finance and Accountancy Manager took members through the complexities of the accounts and the terminology behind this. Queries were raised by members in relation to movements in the pension fund, and explanations were provided.
A request for some additional training on the final accounts was made by members and as a result training was provided to members of Finance, Resources, Audit and Governance Committee at the informal meeting in September.

Subsequently, the final statement of accounts were reviewed in September 2013 and the adjustments made to the accounts were highlighted to the Committee. Members gave feedback on the accounts and minor grammatical errors were noted to be made.

2.4.2 Draft and final Annual Governance Statement

The draft Annual Governance Statement was presented to the Committee in June 2013, and in response to members queries it was confirmed that the statement would be made available to the External Auditors for their comment.

The final Annual Governance Statement was received by the Committee in September 2013 along with the final statement of accounts and was approved by the Committee for signing by the Chief Executive and Leader of the Council.

2.4.3 External Audit

Throughout the financial year the Committee receive reports from the External Auditor, Ernst & Young. The Annual Governance Report for 2012/13 was reported to the Committee in September 2013, at this point work was still ongoing however an unqualified opinion was confirmed. The Head of Finance summarised the audit observations and advised members of the action taken to address issues relating to internal control, adding that the Council was already aware of these as they had already been raised by Internal Audit. Members expressed concerns regarding the lateness of the results from this work and were unhappy that the work had not been concluded in time for the meeting; thus providing significant challenge to the auditors. The issue of audit fees was also discussed and the Head of Finance advised that she would be meeting with Ernst & Young regarding this and would also raise the concerns of the Committee.

These concerns were subsequently raised at Cabinet. The Head of Finance met with Ernst & Young and as a result they reviewed and revised the fees, providing evidence where additional work had been carried out. The Head of Finance considered these to be reasonable and in addition Ernst & Young have had to advise and provide reasons to the Audit Commission for the increase in fees.

The Committee is also due to receive reports from Ernst & Young at the March meeting in relation to the External Audit Plan 2013/14 and the Certification of Claims and Returns – Annual Report for 2012/13.

2.4.4 Internal Audit

Internal Audit has sought to provide the Committee with regular reports throughout the financial year to ensure they are up to date with the audit findings and the effect of this on the Council’s control environment. The Committee have
received reports in relation to the progress of the annual audit plan for 2013/14 and the status of the implementation of recommendations in 2013/14. Annually the Committee receives the Annual Report and Opinion and the Review of the Effectiveness of Internal Audit Services. The Committee is also due to receive the report for the Strategic and Annual Audit Plans for 2014/15. With all reports received the Committee queries specific audits that are of concern or the progress being made to improve the control environment, and provide sufficient challenge to the reports presented to satisfy themselves of the action being taken by management.

The Committee also receives regular verbal updates from officers in relation to the current Audit Procurement exercise, thus ensuring that as the contracting authority appropriate due diligence is applied to the processes being followed.

2.4.5 Counter Fraud

In June 2013 the Committee received the updated Whistleblowing Policy and Counter Fraud, Corruption and Bribery Strategy, members noted typographical errors and queries were raised in relation to fraudulent invoices, types of fraud, and the recruitment of staff. Members endorsed both the policy and strategy after challenge and discussion and both were endorsed.

2.4.6 Audit Committee related

The Committee completed its first self-assessment exercise in September 2013 and reviewed the compliance checklist in great detail, providing evidence of how the checklist is met by the Committee. A resulting action plan and summary report were approved and referred to Cabinet for endorsement.

The Committee also has a work programme which is reviewed and discussed at each formal meeting.

2.4.7 Informal Meetings / Training

The Committee also holds informal meetings throughout the year and in 2013/14 these have involved training on the Council’s approach to risk management, how to review the Council’s statement of accounts and the review of the asset management plan.

Committee members also attended the Treasury Management training in January 2014 presented by the Council’s Treasury Management advisors.

2.5. Acknowledgements

2.5.1 The Committee would like to thank the Council officers and Internal and External Audit staff who have helped to support delivery of their role throughout the year.
3. **Proposal and Reasons**

3.1 This report looks back over 2013/14 and has examined the range of reports which have been brought to the attention of the Committee by various parties, including senior management, Internal Audit and External Audit. The report has summarised the activity of the Committee and highlights the breadth of information that is received both formally and informally in ensuring that the Committee carries out its Terms of Reference effectively.

4. **Other Options**

4.1. Not applicable.

5. **Relevant Corporate Priorities**

5.1. The work undertaken by the Finance, Resources, Audit and Governance Committee serves to support the Council in delivering all corporate priorities.

6. **Implications and Risks**

6.1. Not applicable to this report.

7. **Conclusion**

7.1. This report highlights that the Committee operates in accordance with best practice requirements, and plays an important role in the Council’s scrutiny and governance framework.

8. **Action Required**

8.1. That members note the contents of the Annual Report, and that it is taken forward to Full Council.

**Appendices attached to this report:**

None.
Working Protocol between Internal and External Audit for 2013/14 and 2014/15

Internal Audit Consortium Manager

An Audit Joint Working Protocol has been developed between Internal Audit and the Council’s External Auditors – Ernst and Young, which recognises the respective responsibilities of each body, relevant audit areas that will be covered, liaison and information sharing arrangements between the two sets of auditors, audit testing and sample size requirements to be observed by the two bodies and generic key financial controls requiring examination each year.

The Protocol has been formulated to avoid any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties, whilst also ensuring that External Audit can place maximum reliance on the work of Internal Audit, wherever possible.

Cabinet member(s): Garry Wheatley

Ward(s) affected: All

Contact Officer, telephone number, and e-mail: Mrs. Sandra C. King 01508 533863 scking@s-norfolk.gov.uk

1. Background

1.1 Prior to Ernst and Young being appointed as the Council’s External Auditors, Internal Audit had operated an Audit Joint Working Protocol with the Audit Commission to facilitate close working relationships, ensuring that the services of Internal and External Audit were as integrated as possible, in order to maximise the effectiveness and efficiency of the overall approach to audit operated within South Norfolk Council.

1.2 Post Ernst and Young being made responsible for the provision of External Audit Services to the authority, Internal Audit has been actively pursuing formulation of a similar Protocol, aimed at clarifying the individual roles of each body, how they will liaise with each other and where it is feasible to rely on each other’s work, ensuring that sample sizes and key control testing are such that the work of Internal Audit can be used by External Audit to inform their work.

1.3 There have been two stages involved in extracting the Protocol which is being presented to the Finance, Resources, Audit and Governance Committee today.
Initially, it was recognised that until such time as Ernst and Young had been through the complete cycle of a Financial Statement Audit, it would be difficult for them to confirm the key controls applying to the Council’s core financial systems. As an interim measure, it was therefore agreed that Internal Audit would adopt External Audit’s approved sample sizes for testing of the organisation’s key fundamental systems from 2012/13 onwards and, in addition, Ernst and Young would produce a Briefing Paper which explained fully how they intended to place reliance on Internal Audit’s work.

1.4 The Briefing paper acknowledged that before the work of Internal Audit could be used to inform the work of External Audit, it was essential to undertake an overall assessment of the Internal Audit function, to determine whether our work was likely to be adequate for the purposes of their audit, and how this could complement delivery of their key in-year tasks. This assessment was duly performed without any issues arising.

1.5 Moreover, in recent weeks, we have achieved the second stage of the process - compiling a formal Protocol for adoption from the final quarter of 2013/14 onwards, following a collaborative exercise between the Internal Audit Management Team and the External Audit Manager.

2. **The Benefits associated with the adoption of an Audit Joint Working Protocol**

2.1 The new Protocol, attached at Appendix 1, explains the overarching aims of the document, recognises the respective responsibilities of each auditing body, itemises audit areas of primary concern, reviews liaison arrangements including who will be the key audit contacts at the Council, and comments on provisions for accessing audit files and reports. There are then 4 separate appendices, which tabulate the working arrangements that will be followed, the nature of audit sample sizes to be extracted and hence used for testing purposes, a summary of financial key controls identified for in-year evaluation and Ernst and Young’s approach to relying on Internal Audit.

2.2 In applying the Protocol, good working relationships between Internal and External Audit will be further strengthened, thereby securing a fully integrated and therefore more efficient approach to the provision of audit services to the Authority.

3. **Proposal and Reasons**

3.1 It is recommended that the Committee and subsequently Cabinet approve the Audit Protocol and thereby give its endorsement to the level of interaction, which will be adopted by Internal and External Audit throughout the remaining quarter of 2013/14 and the financial year 2014/15.
4. **Other Options**

4.1 The Finance, Resources, Audit and Governance Committee could decide not to endorse the Protocol but this deviation from best practice could potentially result in undermining the developing working relationships between Internal and External Audit, in terms of improving upon what can be achieved jointly.

5. **Relevant Corporate Priorities**

5.1 Approval of the Protocol should assist the Council in being more business-like and efficient, as the integration of Internal and External Audit services should enhance the approach to audit scrutiny of the Council’s business activities and the internal control environment in which services operate.

6. **Implications and Risks**

6.1 As noted above at Section 4.

7. **Conclusion**

7.1 This new Protocol seeks to build on the working relationships that have already been advancing between Internal and External Audit, further enhancing how the two bodies will interact, and adopting arrangements designed to secure seamless integration of work and avoidance of any unnecessary duplication of effort.

8. **Recommendation**

8.1 It is recommended that the Committee and subsequently Cabinet:

- Approve the Audit Protocol and thereby give its endorsement to the level of interaction, which will be adopted by Internal and External Audit throughout the remaining quarter of 2013/14 and the financial year 2014/15.

**Appendix:**

Appendix 1: Audit Joint Working Protocol
Audit Joint Working Protocol
South Norfolk Council
October 2013 – September 2014

Ernst & Young LLP
Contents

1. Introduction – aims ......................................................................................................... 1
2. Respective responsibilities ............................................................................................ 2
3. Audit areas ....................................................................................................................... 4
   3.1 Opinion ......................................................................................................................... 4
   3.2 Fraud .......................................................................................................................... 4
   3.3 Value for money .......................................................................................................... 4
   3.4 Other work areas ...................................................................................................... 4
4. Liaison arrangements ..................................................................................................... 5
5. Review of Internal Audit: Audit documents and reporting ........................................... 6
   Appendix A  Working Protocol arrangements ................................................................. 7
   Appendix B  Controls testing and sample sizes ............................................................... 8
   Appendix C   Summary of key financial controls ............................................................. 9
   Appendix D  Approach to reliance on Internal Audit ....................................................... 13
1. **Introduction – aims**

1. This document sets out the basis for effective co-ordinated working arrangements between South Norfolk Council’s Internal Audit service and EY as the Council’s appointed external auditors.

2. The aims of the protocol are to aid joined-up working and reduce duplication of audit work by:
   - Clarifying respective responsibilities for audit work
   - Developing further a close and effective working relationship; and
   - Facilitating the effective co-ordination of our work without impairing the independence and integrity of either party.

3. This document sets out:
   - Confirmation of the liaison arrangements between Internal Audit and EY;
   - The requirements to be followed in order that EY can place the desired level of assurance on the work of internal audit;
   - Working Protocol arrangements (Appendix A);
   - Details of EY requirements on sample sizes (Appendix B);
   - A list of key controls which Internal Audit considers to be key in proving the internal financial control systems which largely coincide with EY key controls to support its external audit work (Appendix C);
   - EY’s approach for relying on Internal Audit work (Appendix D).

4. The protocol takes into account the requirements of the revised Audit Commission’s Code of Audit Practice 2010 (The Code).
2. **Respective responsibilities**

1. South Norfolk Council (The Council) has a responsibility to put in place proper arrangements for the governance and stewardship of its resources.

2. Internal Audit provides an essential element of the Council’s arrangements. In the course of discharging its responsibilities, Internal Audit is required to deliver a service which meets the professional standards laid down in the Public Sector Internal Audit Standards effective from 1 April 2013. And CIPFA’s published Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010.

3. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, systems of internal control and corporate governance, by evaluating its effectiveness in achieving the organisation’s objectives. In part fulfilment of their responsibilities, Internal Audit carries out reviews of systems and key controls, including evaluating and testing key controls. This work is directly relevant to EY responsibilities although EY confirm that they do not have a role in directing the work of Internal Audit, or a direct role in Internal Audit’s quality assurance processes.

4. Under the Audit Commission Act 1998 and the Code of Audit Practice the external auditor appointed by the Audit Commission is responsible for reviewing and reporting on the Council’s:
   - Financial statements and Annual Governance Statement;
   - Arrangements for securing economy, efficiency and effectiveness in its use of resources: and,
   - Grant certification.

5. In issuing the opinion external auditors express a view whether the Council’s financial statements:
   - Present fairly the financial position of the Council and its expenditure and income for the year in question; and
   - Have been prepared properly in accordance with relevant legislation and applicable accounting standards.

6. External Auditors are required to follow the UK and Ireland’s version of International Standards on Auditing – ISA (UK&I). These took effect from 2005/06 requiring greater emphasis on gaining an understanding of governance arrangements of the Audited and Inspected Body (AIB). In order to comply with ISA315, EY identifies, evaluates, documents and tests those of the Council’s systems that have a material impact upon its financial statements.

7. EY also consider whether the Annual Governance Statement has been presented in accordance with relevant requirements and report if it does not meet those requirements or if the statement is misleading or inconsistent with their knowledge of the Council.

8. Internal and external audit have different roles but many shared objectives. Effective co-operation is essential in order to minimise duplication of effort and maximise the benefits of audit. It should enable both parties to devote more time to the key audit issues and ensure that the Council gets value from its total audit resource. Both are committed to an open and constructive relationship, based on an understanding of each other’s roles and approaches to achieving their respective objectives.

9. The Audit Commission emphasises this need for co-operation in a number of its publications:
   - The Code of Audit Practice 2010 states that external auditors should establish effective co-ordination arrangements between internal and external audit and seek to place maximum reliance on the work of internal audit wherever possible;
   - ‘It Takes Two’ (Published in 1996) is a good practice guide to assessing and improving co-operation between internal and external auditors; and
The Managed Audit Good Practice Guide 1995 promotes a more efficient audit by encouraging reliance on the control environment, which includes internal audit.

10. Key areas of co-operation are summarised in Appendix A.
3. **Audit areas**

3.1 **Opinion**

1. In complying with the Internal Audit standards in undertaking financial systems work, Internal Audit will follow the relevant guidance to:
   - Use adequate sample sizes to support conclusions and recommendations;
   - Select samples appropriately, which are representative of the population and the period covered; and
   - Evidence and document the work in accordance with professional standards.

2. Internal Audit scrutinise key financial systems each year with representative samples drawn from across the year.

3. EY liaise with Internal Audit each year to identify the scope for external audit to drawing assurance from Internal Audit systems work. EY and Internal Audit will compare the timing of each other’s work and wherever possible, Internal Audit will try to dovetail with EY timetabling to enable reliance to be placed on this work. EY will seek to ensure that the conclusions generated by Internal Audit work have been reached using testing sample sizes that are equal to, or in excess of the sample sizes that EY would apply to reach the same conclusions. Hence, EY have provided further guidance as to the sample sizes required and these are included in Appendix B.

4. Appendix C details key controls within the main financial systems identified by Internal Audit as part of its 2012/13 audit work. These controls may change in future years.

3.2 **Fraud**

5. Internal Audit will notify EY promptly of all frauds exceeding £10,000, and any cases of corruption and any fraud cases of particular interest or complexity, and will set out the details on an AF70 for submission to the Audit Commission Counter-Fraud Unit.

6. In the event of a fraud, both EY and Internal Audit will exchange relevant information. Normally, Internal Audit will then oversee the investigation of the case and keep EY informed of progress. EY reserve the right to retain control over a fraud investigation, although this is only likely to be the case in exceptional circumstances.

3.3 **Value for money**

7. EY and Internal Audit will liaise over any forthcoming value for money work. Should Internal Audit undertake value for money work, EY will consider the findings of that work as part of our review of the Council’s Value for Money Conclusion assessment.

3.4 **Other work areas**

8. The following areas of Internal Audit activity may also be relevant to our work:
   - At present there are no formal arrangements for joint working in respect of grant certification. However a dialogue will be maintained in order to share matters of concern so that both parties can consider them when planning work in this area.
   - Ad hoc investigations into suspected fraud or corruption; and
   - Reviews of systems development and replacement.
4. Liaison arrangements

1. Liaison meetings will be held regularly in line with Audit Plan delivery and with regard to the Audit Committee cycle.

2. Standard agenda items for liaison meetings are likely to include:
   - An update of progress against Internal Audit and EY plans;
   - Issues affecting delivery of plans;
   - Reports finalised since last meeting;
   - Key findings and emerging issues from current work;
   - Details of special investigations and sensitive issues;
   - Internal Audit involvement in systems development work, etc.; and
   - General audit news and intelligence from Internal Audit and EY networks (internally and externally).

3. A representative from EY will be available to attend Audit Committee meetings and any other sessions regarding audit matters. As a minimum an EY representative will attend the Audit Committee to present the Audit Plan, Audit Results (ISA 260) Report and the Annual Audit Letter.

4. Key contacts for purposes of communications on the common areas of work are shown in Table 1.

<table>
<thead>
<tr>
<th>Table 1: Key audit contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council management</td>
</tr>
<tr>
<td>Debbie Lorimer, Head of Finance</td>
</tr>
<tr>
<td>Matthew Fernandez-Graham, Accountancy Manager</td>
</tr>
</tbody>
</table>

5. First contacts for enquiries on specific audit areas are shown in Table 2.

<table>
<thead>
<tr>
<th>Table 2: Key audit contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work area</td>
</tr>
<tr>
<td>Audit Planning, control and reporting</td>
</tr>
<tr>
<td>Financial systems</td>
</tr>
<tr>
<td>Housing benefits</td>
</tr>
<tr>
<td>Anti-fraud and corruption</td>
</tr>
<tr>
<td>Grant claims</td>
</tr>
<tr>
<td>Performance Management</td>
</tr>
<tr>
<td>IT</td>
</tr>
</tbody>
</table>
5. **Review of Internal Audit: Audit documents and reporting**

1. EY reviews Internal Audit’s work to consider whether it meets the Internal Audit standards and can be relied upon for providing assurance on the Council’s control arrangements. Reviewing relevant files is an essential step in this process. Internal Audit has agreed to provide EY with access to their records and will include EY on the distribution list for all draft and final reports. Any records EY receive from Internal Audit will be kept secure at all times.

2. EY will consider all requests for Internal Audit access to EY files. However, EY will have to take account in each case of the statutory restrictions on the disclosure of information by External Auditors. Internal Audit will have advanced sight of external Audit Plans and, where relevant, other Reports that go to the Audit Committee. Where appropriate, meetings will be scheduled with Internal Audit to discuss reports before finalising.

3. EY also undertakes detailed reviews of specific pieces of Internal Audit work upon which EY wishes to place reliance. This will encompass a review of the audit file to assess the scope of the work and the adequacy of sample sizes, standards of evidence and documentation, quality assurance and reporting. This may involve re-performing some tests, or testing an additional sample, if deemed appropriate.

4. Arrangements for relying on Internal Audit work are set out in Appendix D.
### Appendix A  Working Protocol arrangements

<table>
<thead>
<tr>
<th>Arrangements</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>EY and Internal Audit will discuss Internal Audit’s annual audit plans for all significant financial systems, one off projects and for anti-fraud and corruption work. Appendix B sets out EY guidance on minimum sample sizes for the testing of key controls. Appendix C details the key controls identified by Internal Audit.</td>
<td>Joint</td>
<td>Internal Audit testing in previous years has covered the key controls of the following systems on a cyclical basis and annually to support the Annual Governance statement.  ► General ledger Maintenance  ► Creditors and accounts payable  ► Debtors and accounts receivable.  ► Payroll and pensions  ► Property, Plant and Equipment  ► Cash  ► Treasury Management.  ► Housing and Council Tax Benefits.  ► Council Tax.  ► National Non-Domestic Rates.  ► Budgetary control.</td>
</tr>
<tr>
<td>Details of EY expectations for the above work will be supplied by EY. Internal Audit will plan their coverage of the work and ensure their working papers are clearly referenced to indicate how they may be used to support the external audit.</td>
<td>Joint</td>
<td>Internal Audit’s first responsibility is to undertake an adequate and effective internal audit of the Council’s accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control. In doing so it is mutually advantageous for Internal and External Audit to closely co-operate over key areas of the audit.</td>
</tr>
<tr>
<td>A timetable will be agreed for these systems to ensure that work is available for review at the appropriate time.</td>
<td>Joint</td>
<td>Approximate timings for audit work are agreed at the audit planning meeting usually held in February or March. Details can be updated at each liaison meeting.</td>
</tr>
<tr>
<td>Regular meetings will be held to review progress and discuss any matters arising.</td>
<td>Joint</td>
<td>Amongst other things these meetings will provide a forum for feedback and informal discussion of findings, discussions of changes necessary for co-ordination of our work plans, etc.</td>
</tr>
<tr>
<td>EY will review aspects of the Internal Audit function on an annual basis.</td>
<td>Joint</td>
<td>The scope of our review of Internal Audit work is set out at Appendix D.</td>
</tr>
<tr>
<td>EY will consider all requests for Internal Audit access to EY systems documentation. However, EY will have to take account in each case of the statutory restrictions on the disclosure of information by External Auditors.</td>
<td>Joint</td>
<td>EY and Internal Audit will have advanced sight of Audit Plans and, where relevant, other reports that go to the Audit Committee. Where appropriate, meetings will be scheduled with Internal Audit to discuss reports before finalising, particularly where there are implications for each other’s work.</td>
</tr>
<tr>
<td>Internal Audit should report on the control environment, in line with the Public Sector Internal Audit Standards effective from 1 April 2013.</td>
<td>Internal Audit</td>
<td>Public Sector Internal Audit Standards effective from 1 April 2013 requires the Head of Internal Audit to include in the annual Internal Audit report to the Authority an opinion on the overall adequacy and effectiveness of the authority’s internal control environment, providing details of any weaknesses that qualify this opinion and bringing to the attention of the Authority any issues particularly relevant to the preparation of the Annual Governance Statement. Provided it can satisfy itself that Internal Audit operates to the standards set out in the Code, the relevant body is justified in taking assurance from this opinion.</td>
</tr>
<tr>
<td>Internal Audit and EY will keep each other informed of any frauds discovered or suspected.</td>
<td>Joint</td>
<td>Any frauds discovered are to be reported to both Internal Audit and EY.</td>
</tr>
</tbody>
</table>
Appendix B  Controls testing and sample sizes

EY select relevant controls to test that address the ‘what can go wrongs’ (WCGWs) for each relevant financial statement assertion for which EY plans to rely on controls. EY tests controls to evaluate the operating effectiveness of controls over the significant classes of transactions (SCOTs) and significant disclosure processes to prevent or detect and correct material misstatements at the assertion level. Relevant controls are those controls that EY intend to rely on for the purpose of the audit to address the risks of material misstatements at the assertion level. EY will share with Internal Audit details of the controls EY has identified as relevant controls on an annual basis.

The following sample sizes are applied to EY controls testing:

<table>
<thead>
<tr>
<th>Nature of control and frequency of performance</th>
<th>Minimum number of items to test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manual control, performed daily or many times a day</td>
<td>25</td>
</tr>
<tr>
<td>Manual control, performed weekly</td>
<td>5</td>
</tr>
<tr>
<td>Manual control, performed monthly</td>
<td>2</td>
</tr>
<tr>
<td>Manual control, performed quarterly</td>
<td>2</td>
</tr>
<tr>
<td>Manual control, performed annually</td>
<td>1</td>
</tr>
</tbody>
</table>

The sample selected should cover all four quarters of the financial year to obtain evidence that the control operated throughout the audit period.

The minimum sample size of 25 assumes 250 occurrences. Between 50 to 250 occurrences, the minimum sample is 10% of occurrences. If less than 50 occurrences, the minimum sample size is 5 or 10% if there are less than 5 occurrences.
Appendix C  Summary of key financial controls

The following tables set out the key controls within the core financial systems identified by IA. These are also largely the key controls EY seeks to understand and evaluate on an annual basis to support its external audit work under the Code of Audit Practice. However, in documenting key controls EY may identify other key controls for testing. If testing of extra key controls needs to be modified, EY will discuss with Internal Audit. The tables cover the following areas:

► General ledger maintenance;
► Creditors and accounts payable
► Debtors and accounts receivable;
► Payroll;
► Property, plant and equipment
► Cash income and receipt
► Treasury management;
► Housing and council tax benefits;
► Council tax (CT);
► National non-domestic rates (NNDR); and
► Budgetary control.

General ledger maintenance

<table>
<thead>
<tr>
<th>Key Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>All manual journals raised are appropriately authorised and input into the system.</td>
</tr>
<tr>
<td>Journals are only raised by accounting officers and approved by a senior accounting officer.</td>
</tr>
</tbody>
</table>

Creditors and accounts payable

<table>
<thead>
<tr>
<th>Key Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriately authorised orders should be raised for all purchases.</td>
</tr>
<tr>
<td>Goods received notes (GRNs) received should be agreed to orders raised.</td>
</tr>
<tr>
<td>Invoices received should be matched to orders and GRNs (where applicable) for accuracy and confirmation of receipt of the goods/service.</td>
</tr>
<tr>
<td>Invoices should be appropriately authorised.</td>
</tr>
<tr>
<td>Invoices input into the system for payment should be checked for accuracy.</td>
</tr>
<tr>
<td>BACS payments should be appropriately authorised.</td>
</tr>
<tr>
<td>The weekly payment projection report (which shows the amount they are due to pay) equals the amount on the purchase ledger control report.</td>
</tr>
<tr>
<td>Creditor control accounts/purchasing system to general ledger system interfaces should be reconciled with all reconciling items should identified, investigated and resolved on a timely basis. An independent review of the reconciliation should be performed on a timely basis.</td>
</tr>
<tr>
<td>Appropriate segregation of duties and restricted access should be ensured.</td>
</tr>
<tr>
<td>New Vendor forms should be appropriately authorised prior to a new vendor being set up on the purchasing system.</td>
</tr>
<tr>
<td>Amendments to standing data (e.g. supplier details) should be appropriately authorised and accurately input on to the system.</td>
</tr>
<tr>
<td>Tendering procedures should be followed for all purchases above the limit set.</td>
</tr>
</tbody>
</table>
Summary of key financial controls

Debtors and accounts receivable

**Key Control**

- Invoice requisitions should be appropriately authorised and raised in a timely manner.
- Invoices raised should be checked to invoice requisition to ensure accuracy and completeness of invoices raised.
- Receipt of income should be reconciled to the amount banked.
- Debtor control accounts/receivables system to general ledger system interfaces should be reconciled and all reconciling items should be identified, investigated and resolved on a timely basis. An independent review of the reconciliation should be performed on a timely basis.
- Appropriate segregation of duties and restricted access should be ensured.
- Appropriate procedures should be in place for monitoring the recoverability of aged debts.
- Bad debts should be written off after appropriate authorisation per the financial regulations.

Payroll

**Key Control**

- Starter forms should be appropriately completed by the HR department and employee (based on the employment contract) prior to input into the payroll system. Input of details into the payroll system should be checked for accuracy.
- Leaver forms must be appropriately authorised and accurately input into the payroll system.
- Amendments to standing data must be authorised by the employee and appropriate manager and accurately input into the payroll system.
- Payroll control accounts/payroll system to general ledger system interfaces should be reconciled and all reconciling items should be identified, investigated and resolved on a timely basis. An independent review of the reconciliation should be performed on a timely basis.
- Managers should be asked to verify the completeness and accuracy of employee information on the payroll system on at least a quarterly basis.
- The Council produce a report of all differences in pay greater than 5% from the previous month.
- Payroll data file provided by the company providing the payroll service is checked before payroll is processed.
- Monthly reconciliations of payroll to the ledger include the "payroll control Account" reconciliation.
- Appropriate segregation of duties and restricted access should be ensured.

Property, plant and equipment

**Key Control**

- All capital additions should be appropriately authorised in accordance with procedures.
- All capital disposals should be appropriately authorised in accordance with procedures.
- The fixed asset register is reconciled to the general ledger on a regular basis. The reconciliation should be signed and dated by the preparer as evidence of completion. An independent review of the reconciliation should be performed and evidenced by the reviewer (signature and date).
- Restricted access to the fixed asset register should be ensured.
- Capital expenditure should be monitored and controlled against budget. The budget set should be realistic and based upon appropriate assumptions.

Cash Income and receipt

**Key Control**

- The amount of income received on the cash receipting system should be checked to the amount of income recorded as banked from bank statements / reports.
- A monthly exception / verification report is produced from the cash receipting system which highlights any differences / errors.
- The amount of cash received in the cash system is automatically posted to the ledger;
exception reports / suspense highlight any errors or omissions. The general ledger suspense account should be reviewed on a monthly basis, and any long outstanding items cleared.

Bank reconciliations for all bank accounts should be performed on a monthly basis and all reconciling items fully identified, investigated and resolved as necessary. The reconciliation should be signed and dated by the preparer as evidence of completion. An independent review of the reconciliation should be performed and evidenced by the reviewer (signature and date).

Appropriate segregation of duties and restricted access should be ensured.

Treasury Management

### Key Control

- All investment / loan decisions, including the identification of investment options, decisions made, whether the investment / loan was approved or not, and the transfer of funds are fully documented, showing independent approval, in line with delegated responsibility.
- Main financial records are regularly reconciled to the loans and investments register.
- Loan / investment activity is reconciled to the bank statement and the general ledger.
- Interest received is reconciled to the general ledger.
- Confirmation of investment / loan is obtained.

Housing and council tax benefits

### Key Control

- Claimant details are input correctly and the appropriate supporting information obtained.
- Backdated claims are supported by a backdating form and are subject to authorisation by the backdating officer to ensure this is performed in accordance with the rules.
- BACS payments should be appropriately authorised.
- Cheque payments should be appropriately authorised.
- All payments over £750 should be subject to independent review to ensure accuracy of the payment.
- Visiting officers visit claimants to gain assurance that details are unchanged. This is performed in accordance with the recommended schedule.
- Overpayments are checked to ensure they have been accurately classified and calculated.
- Overpayments per the benefits system are reconciled to the debtors system.
- The recovery of overpayments is monitored and action taken to collect debts.
- The benefits system is reconciled to the Council Tax and General Ledger systems on at least a monthly basis.
- Appropriate segregation of duties and restricted access should be ensured.
- All required updates have been made to the benefits system, arising from any national updates required by DWP, updates required from system provider, any annual parameters required have been input accurately.

Council tax (CT)

### Key Control

- The Council ensures the record of properties as per the Council Tax (CT) system reconciles to the list of properties notified to them by the Valuation Office.
- CT exemptions/discounts are reviewed on a weekly basis to identify exemptions due for review in the next 7 days, exemptions that have no end date and exemptions passed their review date but which have not been reviewed.
- There is a sample check of all CT processing. The system is set up to produce sample check work processes for management, which go in to an ‘in tray’ and these tasks, are completed on an-going basis.
- CT precepts per property band are input onto the CT system before the start of the financial year and reviewed for accuracy by a senior officer.
- A reconciliation of returned Direct Debits’ is performed against the value of reversals on the CT system on a monthly basis.
- A daily enforcement report is produced showing all adjustments which have resulted in a change in liability; this is independently reviewed and issues resolved.
Weekly integrity reports are produced highlighting unusual transactions. These are independently reviewed and issues resolved.

CT BACS payments are agreed to system totals and independently authorised.

CT refunds are authorised by a senior billing officer. Refunds over £10,000 must have a payment voucher authorised by the Head of Revenues.

The Council Tax system is reconciled to the General Ledger and benefits systems on at least a monthly basis.

Appropriate segregation of duties and restricted access should be ensured for CT

The system has hierarchical password access (i.e. ensure that users access is relevant to their role) for CT.

There is a daily reconciliation of cash receipts / cash postings / reversals against movement on outstanding debt for CT.

National non-domestic rates (NNDR)

The Council ensures the record of properties and their total rateable value as per the National Non-Domestic Rates (NNDR) system reconciles to the list of properties and total rateable value notified to them by the Valuation Office (VO).

NNDR exemptions/reliefs are reviewed on a weekly basis to identify exemptions due for review in the next 7 days, exemptions that have no end date and exemptions passed their review date but which have not been reviewed.

There is a sample check of all NNDR processing.

The NNDR rateable value multiplier is put onto the NNDR system and reviewed for accuracy by a senior officer.

A reconciliation of returned Direct Debits’ is performed against the value of reversals on the NNDR system.

NNDR refunds are authorised by a senior billing officer. Refunds over £10,000 must be authorised by the Head of Revenues.

The NNDR system is reconciled to the General Ledger system on at least a monthly basis.

Weekly exception reports are reviewed to highlight any unusual transactions. These are independently reviewed and issues resolved.

BACS payments are agreed to system totals and independently authorised.

Appropriate segregation of duties and restricted access should be ensured for NNDR

The system has hierarchical password access (i.e. ensure that users access is relevant to their role) for NNDR.

There is a daily reconciliation of cash receipts / cash postings / reversals against movement on outstanding debt for NNDR.

Budgetary control

Key Control

Budgets should be approved prior to the start of the financial year and be based upon appropriate and reasonable assumptions.

Budgets should be assigned to appropriate personnel and should be monitored regularly throughout the year.

Budgetary information should reconcile to the general ledger.
Appendix D  Approach to reliance on Internal Audit

In accordance with International Standards on Auditing (ISA) 610, when EY plan to rely on the work completed by Internal Audit, EY:

► Undertakes an overall assessment of the Internal Audit function to determine if Internal Audit’s work is likely to be adequate for the purposes of EY’s audit. EY evaluate:
  ► The objectivity of the Internal Audit function
  ► The technical competence of the Internal Auditors
  ► Whether the work of the Internal Auditor is carried out with due professional care
  ► Whether there is effective communication between Internal and External audit.

► Determines the effect of Internal Audit’s work on EY’s procedures. When determining whether, and to what extent, EY uses the work of Internal Audit, EY will consider both the risks associated with the areas being tested and our judgments as to the competence and objectivity of those who have or will perform the work. If EY plan to use the work of Internal Audit, EY will agree in advance with Internal Audit:
  ► The work that EY plan to use and the timing of such work
  ► Testing thresholds
  ► Method of sample selection
  ► Documentation of the work including retention of working papers
  ► Review and reporting procedures.

► Evaluate the individual piece of work completed by Internal Audit that EY plans to use and conclude whether it is adequate for EY’s purposes. EY will evaluate whether:
  ► The work was performed by Internal Auditors having adequate technical training and proficiency
  ► The work was properly supervised, reviewed and documented
  ► Adequate audit evidence has been obtained to enable reasonable conclusions to be drawn
  ► Conclusions reached and reported are appropriate
  ► Any exceptions or unusual matters disclosed by the internal auditors are properly resolved.
Local Audit and Accountability Act

Compliance and Risk Manager /Deputy Audit Manager

The Local Audit and Accountability Act received Royal Assent on 30 January 2014. This report seeks to update the FRAG committee on the potential implications for the Council and officer proposals on the actions necessary to implement the requirements of the Act.

Cabinet member(s): Garry Wheatley
Ward(s) affected: All
Contact Officer, telephone number, and e-mail: Leah Mickleborough/Emma Hodds 01508 533791 ehodds@s-norfolk.gov.uk

1. Background

1.1. The Coalition Government initially announced proposals to abolish the Audit Commission in 2010. A consultation was held on the future of local public audit in the summer of 2011, which was considered by the Accounts, Audit and Governance Committee.

1.2. Later in 2011, the Government confirmed their preference for the Audit Commission to transfer their audit and inspection functions to the private sector. This resulted in a commissioning exercise to appoint auditors to local authorities for a 5 year period, and it was subsequently confirmed that Ernst and Young would operate as the Council’s External Auditors from 2012/13 onwards.

1.3. Meanwhile, primary legislation was in development that would result in the Local Audit and Accountability Act. The Act faced significant challenge during its development, as well as a number of additions, but finally received Royal Assent on 30 January 2014. The Act formally abolishes the Audit Commission, and lays the ground for how succession arrangements will operate.

2. Current Position and Issues

2.1. The current position is unfortunately unclear at present. In terms of external audit, the Act sets a requirement for local authorities to form audit panels which will be responsible for the oversight and appointment of the Council’s External Auditor. Beyond this, the vast majority of the Act confirms that regulations will be developed to confirm the detailed arrangements that Authorities should operate.

2.2. A consultation was undertaken in November 2013 by the Department of Communities and Local Government on draft regulations in respect of the main audit elements of the Act. Sadly, the short time frames in which local authorities
were requested to respond restricted officers in being able to seek wider consultation. Officers were able to note that the regulations were not significantly different to the arrangements originally proposed in the 2011 consultation, which was responded to by the Accounts, Audit and Governance Committee at the time.

2.3. The majority of the draft regulations relate to the audit of Smaller Bodies – which, in South Norfolk, would cover the Parish and Town Councils. Their auditor would be appointed by a Specified Person (yet to be determined), and the current audit regime for smaller bodies would remain largely intact.

2.4. Particularly of note is that the draft regulations provide an exemption to smaller bodies from the requirement to have a regular audit; the consultation makes clear the Government intends to set the threshold at those authorities with income or expenditure less than £25,000. The Government has provided some safeguards, in that such bodies will still be required to appoint an auditor to whom local people may be able to ask questions or query the accounts, but it is anticipated there may be some residents who will raise concern that one of the few independent checks on smaller authorities has been removed.

2.5. As highlighted in paragraph 2.1, larger authorities will be required to appoint an independent audit panel. The panel will oversee the appointment and performance of the external auditor, and must consist of a majority of independent people (as well as being chaired by an independent person).

2.6. Unlike other local authorities, experience has suggested there are a number of parties within South Norfolk who may be able to serve as “independent persons” on an audit committee. However, the regulations do not include transfer arrangements; Ernst and Young are presently appointed on a 5 year basis and it may be the case that the formation of the panel is not required until the present audit contract ends.

2.7. Meanwhile, at the time of writing, the Government is yet to issue draft regulations in respect of the accountability elements of the Act. It is accepted that the Code of Practice on Local Government Publicity will become statutory on 30 March; given the Council already seeks to comply with the Code, this should not present any practical difficulties. However, as considered at Scrutiny on 12 February and subsequently Council on 24 February, there remains a lack of guidance or regulations on the requirement to allow the filming, recording and broadcasting of Council meetings which similarly comes into effect on 30 March.

3. Proposal and Reasons

3.1. The remaining parts of the Act, and draft regulations, are generally technical in nature. However, the outcomes may have significant implications for this Committee in particular. Some elements of the Committee’s role may need to transfer to the Independent Audit Panel, whilst the revised Accounts and Audit Regulations (which are yet to be issued in draft form) may create revised reporting requirements for both the Statement of Accounts and Internal Audit.

3.2. Given the nature of these changes, officers have drawn together a draft action plan, as attached at Appendix A. In the majority of cases, officers intend to keep a watching brief until the formal requirements become clear. It is intended to keep this Committee briefed on the key issues affecting the Council over
forthcoming months, with subsequent reports to Council on any constitutional changes required.

4. **Action Required**

4.1. The Finance, Resources, Audit and Governance Committee is requested to consider the report and action plan at Appendix A, and highlight any areas of concern or debate as required.
<table>
<thead>
<tr>
<th>Section</th>
<th>Area</th>
<th>Deadlines</th>
<th>Current Position / legislation</th>
<th>Way Forward</th>
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</table>
| s.5     | Smaller Bodies      | Unclear    | A smaller body has income / expenditure less than £6.5m. The accounting and audit arrangements for smaller bodies are to be defined by regulations; these regulations may cover who appoints their auditors. If not, then the smaller bodies will need to either appoint or nominate an audit panel (which may be SNC’s audit panel). | • Update Parish Councils to explain regulations are awaited  
• Wait until regulations are received to identify potential requirements on South Norfolk Council as a result |
| s.7, 18, schedule 5 | Auditor Appointment | Possibly 31 Dec. | The act indicates that the Council will be required to appoint an auditor by 31 December in the “preceding financial year”, based on the recommendation of a local audit panel. It also specifies who the Council may appoint as auditors, including necessary qualifications. The Council is currently in a contract to use Ernst and Young as the appointed auditors. The Act does not provide transitional arrangements as to how existing audit contracts will be transferred, and whether they require re-ratification by Council. | • Await further transitional arrangement regulations regarding existing audit contracts (and guidance from CIPFA or Lawyers in Local Government – LLG) |
| s.8-13, 17 | Audit Panel        | Possibly 31 Dec. | The Council will be required to have an audit panel, which has a majority of independent appointments and be chaired by an independent person. The Council may share the panel with other authorities. The panel’s main role is to advise the Council on the appointment of the auditor. Regulations may determine the term and number of appointments required, as well as any further scope of the Panel. The timing of instituting the panel may depend on whether appointment of the auditor is required by 31 December. | • Await further transitional arrangements regarding existing audit contracts  
• It is anticipated that if an appointment was required by Council by 31 December, then Council would be required to establish the audit panel at its meeting in July 2014. |
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<tr>
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<tr>
<td>s.16</td>
<td>Resignation / removal of local auditor</td>
<td>Unclear</td>
<td>Regulations will specify the procedures for auditors who wish to resign and how they are removed.</td>
<td>• Pending the regulations and establishment of the audit panel, ensure this is built into procedures</td>
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<tr>
<td>s.19</td>
<td>Code of Audit Practice</td>
<td>Unclear</td>
<td>A Code of Audit Practice will be issued specifying how local auditors should conduct their work.</td>
<td>• Ensure all relevant officers and members (including panel if appointed) are familiar with the Code of Practice when issued</td>
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<tr>
<td>s.25-27</td>
<td>Public Inspection of Accounts</td>
<td>Unclear</td>
<td>The public will still have a right to inspect the accounts and raise objections with the auditors. The auditors now have the right to not consider objections if they are frivolous or vexatious, or the costs would be disproportionate.</td>
<td>• No further action at this stage.</td>
</tr>
<tr>
<td>s.24, 28, 31</td>
<td>Auditor Reporting</td>
<td>Unclear</td>
<td>An auditor may make a public interest report in a similar manner to present. However, they may also apply to the court for a declaration that an item in the accounts is unlawful, and may also apply for judicial review of a decision of the authority to act which would have had an effect on the accounts.</td>
<td>• No further action at this stage</td>
</tr>
<tr>
<td>s.33</td>
<td>Data Matching</td>
<td>Unclear</td>
<td>Data Matching (previously undertaken through the National Fraud Initiative) may now be undertaken at the direction of a government minister. This could lead to a range of data matching exercises undertaken on a piecemeal basis.</td>
<td>• No further action at this stage</td>
</tr>
<tr>
<td>s.34</td>
<td>Best Value Inspections</td>
<td>Unclear</td>
<td>The Secretary of State may appoint a person to undertake best value inspections of local authorities. Similarly, the Auditor General may carry out examinations into the economy, efficiency and effectiveness of local authorities. It is likely this will apply to those authorities that are facing severe financial issues</td>
<td>• No further action at this stage</td>
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| s.39    | Code of Practice on publicity             | 30 March  | The Code of Practice on Local Authority Publicity will become statutory and the Secretary of State may direct authorities to take action to comply with it. | • Ensure marketing and engagement team are aware of the Code  
• Ensure Purdah guidance is compliant with the Code |
| s.40    | Access to Local Government Meetings       | 30 March  | Members of the public will be allowed to film and broadcast Council meetings                  | • Awaiting further regulations. Intend to report proposals to Scrutiny on 9 April, and Council on 19 May; temporary measures will be implemented in the meantime. |
## FRAG Work Programme

<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Agenda Item</th>
<th>Officer Responsible</th>
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<tbody>
<tr>
<td><strong>July 2014</strong></td>
<td>Annual Report on Counter Fraud Activity 2013/14</td>
<td>Emma Nangle</td>
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<td>Annual Review of Effectiveness of Internal Audit</td>
<td>Emma Hodds</td>
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<td>Internal Audit Consortium Manager’s Annual Report and Opinion for 2013/14</td>
<td>Emma Hodds</td>
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<td>Statement of Accounts 2013/14</td>
<td>Debbie Lorimer</td>
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<td>Annual Governance Statement 2013/14</td>
<td>Debbie Lorimer</td>
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<td>Annual Governance report</td>
<td>EY (External Audit)</td>
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<td>Progress on Internal Audit Procurement</td>
<td>Emma Hodds</td>
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<td><strong>October 2014</strong></td>
<td>Internal Audit Activity report &amp; follow up</td>
<td>Emma Hodds</td>
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<td>FRAG Committee Self-Assessment Exercise for 2014/15</td>
<td>Emma Hodds</td>
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<tr>
<td></td>
<td>Progress on Internal Audit Procurement</td>
<td>Emma Hodds</td>
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<td><strong>March 2015</strong></td>
<td>Certification of Claims &amp; returns – Annual Report for 2014/15</td>
<td>EY (External Audit)</td>
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<td>External Audit Plan 2014/15</td>
<td>EY (External Audit)</td>
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<td></td>
<td>Internal Audit Activity Report</td>
<td>Emma Hodds</td>
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<td>Internal Audit’s Charter, Strategic &amp; Annual Audit Plans &amp; Summary of Internal Audit Coverage for 2015/16</td>
<td>Emma Hodds</td>
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<td></td>
<td>Annual Report of the Finance, Resources, Audit &amp; Governance Committee</td>
<td>Emma Hodds</td>
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