

Subject: PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Report to: Audit and Risk Committee, 7 March 2022

Report by: Faye Haywood, Head of Internal Audit for Great Yarmouth Borough Council

## **SUBJECT MATTER**

This report examines progress made between 26 November 2021 to 25 February 2022 in relation to the delivery of the revised Annual Internal Audit Plan for 2021/22.

### **1. INTRODUCTION/BACKGROUND**

- 1.1 This report reflects the completion of the audit reviews which are part of the annual internal audit plan of work for 2021/22.

### **2. CURRENT COMPOSITION OF THE ANNUAL INTERNAL AUDIT PLAN 2021/22**

- 2.1 The current position in relation to the delivery of the Internal Audit Plan for 2021/22 is shown within the attached report.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 The Internal Audit Plan will be delivered within the agreed budget for 2021/22.

### **4. RISK IMPLICATIONS**

- 4.1 Internal Audit planning starts with the Council's key risks, which then directs the audit plan for the financial year. Internal Audit reports then identify risk and control weaknesses within the Council, which are highlighted in this report, with appropriate management action being agreed to mitigate these risks within agreed timeframes.

### **5. CONCLUSIONS**

- 5.1 The report contains an update on progress against the Internal Audit Plan for 2021/22.

### **6. RECOMMENDATIONS**

- 6.1 It is recommended that the Committee receive and note the progress being delivered against the Internal Audit Plan for 2021/22.

### **7. BACKGROUND PAPERS**

Appendix – Progress Report on Internal Audit Activity

<b>Area for consideration</b>	<b>Comment</b>
Monitoring Officer Consultation:	No
Section 151 Officer Consultation:	Yes
Existing Council Policies:	No
Financial Implications:	Covered within the report
Legal Implications (including human rights):	No
Risk Implications:	Covered within the report
Equality Issues/EQIA assessment:	No
Crime & Disorder:	No
Every Child Matters:	No

# Eastern Internal Audit Services



**Great Yarmouth Borough Council**

**Progress Report on Internal Audit Activity**

**Period Covered: 26 November 2021 to 25 February 2022**

**Responsible Officer: Faye Haywood – Head of Internal Audit for Great Yarmouth Borough Council**

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## 1. INTRODUCTION

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

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

- 2.1 There have been three amendments made to the Internal Audit Plan 2021/22 since it was approved in June 2021.

Audit Area	Reason for change
GY2214 Development Control replaced with GY2222 – Housing Compliance	In order to respond to urgent requests from management, the remaining plan was risk assessed to identify areas that could be deferred with Housing Compliance work. A total of 15 days has been allocated to this work.
GY2217 Event Management and Tourism GY2223 – Void management	In order to respond to urgent requests from management, the remaining plan was risk assessed to identify areas that could be deferred with Void Management. A total of 12 days has been allocated to this work.
GY2204 Business Strategy and Performance	This audit has been deferred to 2022/23 at the request of management.

- 2.2 As reported at the last Committee meeting, Internal Audit was instructed to carry out a formal investigation in relation to Health and Safety hazards as highlighted by the Chief Executive in December 2021.
- 2.3 An Estate visit by Council officers identified a window enclosure in a significant state of disrepair. Concerns were raised via email with the Head of Property and Asset Management and the Chief Executive regarding three large panes of glass that appeared to be unsupported by a windowsill and at risk of falling into a doorway.
- 2.4 A request was made by the Chief Executive for the Internal Audit team to investigate the circumstances around the repair/s made to the window enclosure and to evaluate the policies/procedures and Health and Safety inspection systems in place at Great Yarmouth

Norse (GYN). GYN are responsible for carrying out repair's services for the Council in line with the Service Level Agreement between the two parties.

- 2.5 The investigation has concluded with the following observations and recommendations for management consideration.
- 2.6 Residents and visitors were left exposed to a Health and Safety hazard with the potential to cause serious/fatal injuries due to the deteriorating condition of the window enclosure in question over a period between 2015 and October 2021. The wooden frame of the window enclosure deteriorated over this period to such an extent that the wooden windowsill rotted away from the frame and fell to the ground leaving three panes of glass unsupported.

The main root causes of the risks identified are determined as follows:

- From 2015 to April 2021 when GYN were responsible for the planned maintenance programme, the window enclosure was not added to a programme of replacements. The risk of replacing components that would be impacted by the ongoing feasibility study for the regeneration of the estate is presumed to be a factor. This has resulted in repairs operatives carrying out temporary repairs and prolonged deterioration of the window enclosure over a number of years.
  - In July 2021 a surveyor from the in-house Asset Management Team inspected window enclosures in the area and identified the window as one of ten requiring replacement. This work had not yet progressed at the time of investigation.
  - A caretaker assigned to this patch from December 2016 to June 2020, responsible for raising defects was dismissed from the Council with low level reporting of repairs being a contributing factor to dismissal. A more rigorous inspection of defects could have identified a need for an additional repair prior to the windowsill rotting away from the frame.
  - An induction training programme covering the reporting of repairs/defects for Health and Safety risks is not provided for Caretakers contributing to the Caretaker raising a routine repair in the Love Clean Streets App for the three panes of exposed glass for GYN to action. This led to a delay of 22 days to make the enclosure safe\_
  - An induction training programme covering the categorisation of repairs/defects and Health and Safety risks is not formalised for GYN Customer Service Operatives, resulting in the Love Clean Streets repair being raised as routine and a delay of 22 days to make the enclosure safe\_
  - The Health and Safety concerns raised by officers via email were not raised as an out of hours emergency repair leaving them unresolved over the weekend of 05/11/2021 – 08/11/2021.
- 2.7 To prevent residents being exposed to future Health and Safety hazards at the Estate in question it is recommended that the Council carries out a risk-based inspection of all window enclosures prioritising replacements in relation to any disrepair risks identified.

It is also recommended that the Council carries out regular estate inspections to identify any other significant Health and Safety concerns and that further work is done to establish whether all issues and repair raised via the Love Clean Streets App for the Estate are being received and responded to by GYN.

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

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 161 days of programmed work has now been completed, equating to 70% of the Internal Audit Plan for 2021/22.

### 4. THE OUTCOMES ARISING FROM OUR WORK

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

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

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

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

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

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

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

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

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

- 4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

- 4.4 During the period covered by the report Internal Audit has issued three reports:

Audit	Assurance	P1	P2	P3
GY2207 Counter Fraud and Corruption Framework	Limited	2	5	4
GY2110 Income	Substantial	0	0	2
GY2221 Business Support Grants	Substantial	0	0	0

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

- 4.5 As can be seen in the table above and as a result of these audits 13 recommendations have been raised by Internal Audit. In addition, one Operational Effectiveness Matter has been proposed to management for consideration within the Business Support Grants report.

## 5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which TIAA will be reviewed on a quarterly basis. There is a total of 11 indicators, over four areas, the results of which are reported at financial year end, with any issues raised with the Committee in progress reports.
- 5.2 There are individual requirements for performance in relation to each measure; however, performance will be assessed on an overall basis as follows:
- 9-11 KPIs have met target = Green Status.
  - 5-8 KPIs have met target = Amber Status.
  - 4 or below have met target = Red Status.

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

- 5.3 Progress against delivering the plan of work is starting to recover from resourcing difficulties experienced in quarters two and three. The Head of Internal Audit continues to work closely with the contractor to ensure that resources are sufficient to complete the plan of work in time for year end.

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

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Quarter 2</b>											
Counter Fraud and Corruption Framework	GY2207	8	8	8	Final report issued on 27 January 2022.	Limited	2	5	4	0	Mar-22
Income	GY2210	8	8	8	Final report issued on 7 December 2021.	Substantial	0	0	2	0	Mar-22
Capital Programme Contracts	GY2213	8	8	8	Draft report issued on 9 December 2021.						
GYN - Invoicing	GY2201	8	8	8	Draft report issued on 23 November 2021.						
Coastal Protection	GY2216	10	10	10	Draft report issued on 3 December 2021.						
<b>TOTAL</b>		<b>42</b>	<b>42</b>	<b>42</b>							
<b>Quarter 3</b>											
Programme and Project Management	GY2205	8	8	6	Fieldwork complete. Draft report in preparation.						
Accounts Receivable	GY2209	10	10	8	Fieldwork complete. Draft report in preparation.						
Housing Benefits and Ctax Support	GY2211	15	15	15	Draft report issued on 28 January 2022.						
Council Tax and NNDR	GY2212	18	18	18	Draft report issued on 15 February 2022.						
Business Support Grants	GY2221	0	12	12	Final report issued on 13 January 2022.	Substantial	0	0	0	1	Mar-22
Environmental Services	GY2215	12	12	10	Fieldwork complete. Draft report in preparation.						
<b>TOTAL</b>		<b>63</b>	<b>75</b>	<b>69</b>							



Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Quarter 4</b>											
Risk Management	GY2202	5	5	1	Audit Planning Memorandum in preparation.						
Annual Governance Statement	GY2203	8	8	1	Audit due to commence on 17 March 2022.						
Business Strategy and Performance	GY2204	10	0	0	Audit deferred 2022/23						
Key Controls and Assurance	GY2206	11	11	6	Fieldwork underway.						
Event Management and Tourism	GY2217	12	0	0	Audit deferred 2022/23						
Development Control	GY2214	15	0	0	Audit deferred 2022/23						
Accountancy Services	GY2208	16	16	6	Fieldwork underway.						
Housing Compliance	GY2222	0	15	11	Fieldwork complete. Draft report in preparation.						
Voids	GY2223	0	12	0							
<b>TOTAL</b>		<b>77</b>	<b>67</b>	<b>25</b>							
<b>IT Audits</b>											
Change Control and Patch Management	GY2218	10	10	0	Audit planned						
Software Licensing	GY2219	10	10	5	Fieldwork underway.						
Digital Strategy	GY2220	10	10	7	Fieldwork complete. Draft report in preparation.						
<b>TOTAL</b>		<b>30</b>	<b>30</b>	<b>12</b>							
<b>Follow Up</b>											
Follow Up	N/A	16	16	13							
<b>TOTAL</b>		<b>16</b>	<b>16</b>	<b>13</b>							
<b>TOTAL</b>		<b>228</b>	<b>230</b>	<b>161</b>			<b>2</b>	<b>5</b>	<b>6</b>	<b>1</b>	
<b>Percentage of plan completed</b>				<b>70%</b>							

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### Assurance Review of the Counter Fraud and Corruption Framework Arrangements

#### Executive Summary

##### OVERALL ASSURANCE ASSESSMENT



##### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Counter Fraud and Corruption	2	5	4	0

##### SCOPE

The latest Fighting Fraud and Corruption Strategy has highlighted an increasing threat of fraud related risks for local authorities. Our review examined the Council's approach to Fraud in line with the checklist provided as part of this new strategy and suggests practical recommendations for improvement where required. This review has been carried out consortium wide to examine areas of best practice.

## **RATIONALE**

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- The systems and processes of internal control are, overall, deemed 'Limited Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'urgent, five 'important' and four 'needs attention' recommendations being raised upon the conclusion of our work.

## **POSITIVE FINDINGS**

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

- The Council has up to date policies in place for Anti-Fraud, Whistleblowing and Anti-Money Laundering.
- There are arrangements in place to promote probity and propriety in the conduct of the Council's business, including the Constitution, Code of Corporate Governance and Codes of Conduct.
- Proven fraud cases are publicised to raise awareness and act as a deterrent.
- Risks of fraud at service level have been considered, with measures put in place to mitigate them.
- Members and officers are required to declare offers of gifts and hospitality and the process for this has been updated to improve record keeping.
- Data sharing is used to prevent and detect fraud. This includes sharing between departments within the Council and sharing with third parties, such as through the National Fraud Initiative.

## **ISSUES TO BE ADDRESSED**

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The audit has highlighted the following areas where two 'urgent' recommendations have been made.

### **Counter Fraud and Corruption**

- An assessment of fraud and corruption risks be undertaken, with Members informed of the outcomes and an action plan put in place to respond to the risks identified. An annual report be presented to Audit and Risk Committee on the Council's progress in combating fraud risks.

- A review of the resources required for counter fraud work be undertaken.

The audit has also highlighted the following areas where five 'important' recommendations have been made.

#### **Counter Fraud and Corruption**

- The Audit and Risk Committee be updated on an annual basis on the Council's counter fraud activity and its progress against the Fighting Fraud and Corruption Locally Strategy 2020.
- A Counter Fraud and Corruption Strategy should be devised, applying to all aspects of the Councils' business, and be approved by Members.
- Training sessions for counter fraud and corruption to be rolled out across the Council. Records for training sessions to be formally recorded and monitored.
- A programme of work be introduced to improve the counter fraud culture within the Council.
- An annual action plan to carry out all required counter fraud work be put in place and agreed by committee.

The audit has also highlighted the following areas where four 'needs attention' recommendations have been made.

#### **Counter Fraud and Corruption**

- Fraud risks be considered as part of the process for creating new policies, strategies and initiatives across the Council.
- The Council registers with Government Counter Fraud Profession Knowledge Hub and the Fighting Fraud and Corruption Locally regional network.
- The Anti-Fraud, Corruption and Bribery Policy v8 to be revised to explicitly state measures to be taken regarding references and qualification checking at recruitment stage, in accordance with the Council's Recruitment Policy.

#### **Operational Effectiveness Matters**

There are no operational effectiveness matters for management to consider.

#### **Previous audit recommendations**

This area has not been subject to previous internal audit review, so there are no previous recommendations.

# Assurance Review of Income

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Receipting of monies	0	0	2	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>

No recommendations were made in respect of these areas - Policy and Procedures; Physical security surrounding the making of payments; Banking, Posting of Income, and Reconciling income

### SCOPE

The objective of the audit was to review the systems and controls in place over Income to help confirm that these are operating adequately, effectively and efficiently

## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit report for Income (GY/20/04) was issued in August 2019. It concluded in a 'Substantial Assurance' opinion with one 'needs attention' recommendation being raised. This indicates a continued positive level of assurance.

## POSITIVE FINDINGS

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

- Procedures are documented for processes including daily banking/Investment/drawback Procedure; leisure return process; and leisure outlets procedure notes. This helps facilitate a consistent approach in carrying out income processes.
- All 10 cheque payments sampled were on the cheque list and on the income system as per the transaction reports. Demonstrating that cheque payments are correctly accounted for.
- A sample of daily reconciliations reviewed confirmed they are occurring daily and differences were identified and resolved. In all cases the reports were present and reconciliations were completed with no differences. This demonstrates that income is received and accounted for correctly.
- Sample testing of 10 daily exception reports confirmed that all exceptions were cleared on the same day. This verifies that exceptions are corrected in a timely manner.
- A review of reconciliations confirmed that reconciliation balances and any differences were resolved and subject to independent review.

## ISSUES TO BE ADDRESSED

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

### Receipting

Regular reviews of the cashiering system users, and their access levels, be undertaken on at least a six monthly basis, to confirm they are appropriate.

- Daily banking analysis forms should be countersigned with a full electronic signature and accompanying date of signature.

#### Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

#### Previous audit recommendations

The audit reviewed the previous internal audit recommendation, which no longer remains outstanding.

#### Other points noted

- It has not been possible to obtain a copy of the Councils latest insurance documentation since the documentation held by the Finance Team is out of date and does not include cover for cash/money held. However, the Finance Team has confirmed that the insurance company would honour any claims as coverage of cash is included in the Invitation to Tender document and their tender submission. The insurance company was last contacted on 10<sup>th</sup> November 2021, by the Finance Team, to provide the correct policy documentation. Due to this issue already being followed up by the Finance Team, no recommendation has been raised.

# Assurance Review of the Business Support Grants

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Additional Restrictions Grants	0	0	0	1
Total	0	0	0	1

No recommendations have been raised in relation to Small Business Grants (SBG) and Retail, Hospitality and Leisure Business Grants (RHLG); Local Restrictions Support Grants; and Restart Grants.

### SCOPE

The scope of this audit covers the grants awarded by the Council under the Small Business; Retail, Hospitality and Leisure; Local Restrictions Support; Additional Restrictions; and Restart grant schemes. Sample testing of grants issued were conducted to ensure they met the eligibility criteria and that they were awarded the correct amount of grant.



## RATIONALE

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- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.
- The audit has raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- A direction of travel is not applicable since the areas under scope have not previously been subject to an internal audit review.

## POSITIVE FINDINGS

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

- Tracking spreadsheets were developed for each grant type, which provided records of eligibility criteria, grant decisions, and payment dates and amounts.
- Systems of built in checks were developed for determining eligibility, and for identifying potential duplicate payments. This system of checks was automated within the grant tracking spreadsheet for the Additional Restrictions Grants, allowing for the standardization of decision making for these discretionary grants, and providing auditability of the decisions made.
- Evidence to support the eligibility criteria was retained and provided for all sampled grant applications, across each grant scheme in scope. All sampled applications were verified to be eligible based on applicable Government guidance. Applications that were approved under the Council's discretion were appropriately documented within the grant tracking spreadsheets.
- Grant amounts for all sampled applications were verified to be in accordance with the applicable Government guidance.
- Grants were verified to have been paid during the correct time period for all sampled applications in accordance with the applicable guidance.

## ISSUES TO BE ADDRESSED

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### Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Consideration be given to implementing a process to ensure that future policy documents are appropriately version controlled to include dates and details of changes.

### Previous audit recommendations

This area has not been subject to a previous internal audit review.