

Subject: PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Report to: Audit and Risk Committee, 15 February 2021

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

SUBJECT MATTER

This report examines progress made between 24 November 2020 to 5 February 2021 in relation to the delivery of the revised Annual Internal Audit Plan for 2020/21 and includes executive summaries in respect of the reviews which have been completed during this period.

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 2020/21.

2. CURRENT COMPOSITION OF THE ANNUAL INTERNAL AUDIT PLAN 2020/21

- 2.1 The current position in relation to the delivery of the Internal Audit Plan for 220/21 is shown within the attached report.

3. FINANCIAL IMPLICATIONS

- 3.1 The Internal Audit Plan will be delivered within the agreed budget for 2020/21.

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 the results of reports finalised within this period.

6. RECOMMENDATIONS

- 6.1 It is recommended that the Committee receive and note the outcome of the audits completed during this period and the progress to date.

7. BACKGROUND PAPERS

Appendix – Progress Report on Internal Audit Activity

Area for consideration	Comment
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: 24 November 2020 to 5 February 2021

Responsible Officer: Emma Hodds – 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 are no changes to the approved internal audit plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary 55 days of programmed work has been completed, equating to 47% of the Internal Audit Plan for 2020/21.

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 Services has issued two final reports:

Audit	Assurance	P1	P2	P3
GY2102 Corporate Governance	Reasonable	0	1	2
GY2105 Housing Rents	Reasonable	0	1	5

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 as a result of these audits nine recommendations have been raised by Internal Audit. In addition, one Operational Effectiveness Matter has been proposed to management for consideration.

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 The fourth quarter's work is underway having received confirmation of agreement to the annual plan on 8th September 2020. A report on performance has been provided to the Head of Internal Audit from the Contractor, performance is currently at green status, however one report HR and Payroll is overdue for finalisation. This report is in draft and has been issued to management.

5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that issues in relation to delivery of the audit plan for the current financial year are resolved.

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	
Quarter 1											
TOTAL		0	0	0							
Quarter 2											
Assurance Mapping	GY2101	8	8	7	Report in draft						
TOTAL		8	8	7							
Quarter 3											
Corporate Governance	GY2102	6	6	6	Final report issued 15 December 2020	Reasonable	0	1	2	0	Jan-21
Housing Rents	GY2105	16	16	16	Final report issued 8 December 2020	Reasonable	0	1	5	1	Jan-21
HR & Payroll	GY2106	15	15	14	Draft report issued 21 January 2021						
TOTAL		37	37	36							
Quarter 4											
Accounts Payable	GY2104	12	12	9	Fieldwork stage						
Procurement and Contract Management	GY2103	12	12	1	APM issued						
Key Controls and Assurance	GY2107	16	16	1	APM issued						
Coronavirus Response and Recovery	GY2108	15	15	1	APM issued						
Housing Needs and Allocations and Homelessness	GY2109	10	10	1	APM issued						
TOTAL		53	53	4							
IT Audits											
Remote Access	GY2110	10	10	0	Scheduled						
TOTAL		10	10	0							
Follow Up											
Follow Up	NA	10	10	8	In progress						
TOTAL		10	10	8							
TOTAL		118	118	55			0	2	7	1	
Percentage of plan completed				47%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Corporate Governance

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Changes to committee meetings	0	0	0	0
Decision making during the pandemic including adherence to the constitution	0	0	1	0
Use of emergency powers	0	0	0	0
Inclusion of pandemic risk within the corporate risk management process	0	1	1	0
Total	0	1	2	0

SCOPE

A review of Corporate Governance has been completed, in particular covering the Council's response to Covid-19 in the administration of committee meetings, including virtual meetings and the decision making process. This review also covered the council's corporate risk management process and how the Covid-19 risk has been incorporated into this.

The review of Corporate Governance is carried out annually to support the Head of Internal Audit Opinion.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- A direction of travel is not provided since the scope of the previous review focused on General Data Protection Regulations (GDPR) and Freedom of Information (FOI).

POSITIVE FINDINGS

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

Changes to committee meetings

- A Remote Meetings protocol has been produced to account for the changes made in the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020. This is in effect, mandatory standing orders for those authorities that wish to hold meetings remotely, either wholly or partially. This therefore provides the means and guidance for the conduct of any remote meeting of the Council, and its various Committees and Sub-Committees.
- Whilst the March Policy and Resources (P&R) committee was cancelled due to the pandemic, this was re-arranged for 19th May 2020 with all deferred P&R decisions now being made. This means that a relatively small gap of two months occurred within which no committees were convened. The most urgent items were reported to P&R first. The P&R committee is now meeting every 4 weeks whereas before the pandemic, was meeting every 6 weeks. This facilitates more frequent meetings to allow for anything urgent to be reported on/decided upon.

Decision making

The main operational body set up to respond to the pandemic is the Emergency Response Silver Team with the responsibilities of this team outlined in the council's Emergency Response Plan. Furthermore, the 'Pathway to Recovery' report, refers to the council's vision for normalisation and recovery which is split into three stages, i.e. respond, adapt and innovate. The normalisation and recovery plans are split into 3 work streams which each have aims and outcomes. This facilitates clear direction and goals in relation to the pandemic.

- All members have been given the tools required to access and participate in virtual meetings through provision of IT packs and 'ThinkPads' (small laptops designed for business use) at which point IT provided training on how to operate these. Furthermore, a number of 'test committees' were set up to trial the new ways of working with members and IT support is always available at each committee meeting. In addition, the Corporate Services Manager held training sessions for members together with a member of ELT and the IT Team, these covering both the use of teams and Zoom. This provided members with the necessary skills and tools to transfer from face to face meetings, to virtual meetings.

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'important' recommendation has been made.

Inclusion of pandemic risk within the corporate risk management process

- In relation to the Corporate Risk Group (CRG), a future meeting date is agreed; the notes and updates issued by the Corporate Risk Officer; and all the risks on the corporate risk register, including the covid -19 related risk, are reviewed.

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

Decision making during the pandemic including adherence to the constitution

- All members are contacted annually to ask them to confirm that their declaration of Interests is complete, up to date and accurate.

Inclusion of pandemic risk within the corporate risk management process

- The corporate risk register and accompanying report is reported to Executive Leadership Team (ELT) and the Audit and Risk Committee for approval.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which three remain outstanding. These were discussed with management and revised deadline dates agreed.

Assurance Review of Housing Rents

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Setting the annual rent charge	0	0	0	0
Housing rent income	0	0	0	0
Rent arrears	0	0	2	1
Amendments to housing rent accounts	0	1	3	0
Reconciliation with other key financial systems	0	0	0	0
Total	0	1	5	1

SCOPE

The objective of the audit is to review the systems and controls in place over Housing Rents to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and five 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also 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.
- The previous audit report for Housing Rents (GY1913) was issued in January 2019. It concluded in a 'Reasonable Assurance' opinion with two 'important' and five 'needs attention' recommendations being raised. This indicates a positive direction of travel for the area of Housing Rents.

POSITIVE FINDINGS

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

Housing Rent Income

- Housing rent income testing concluded that the income received is allocated to the relevant account via the individual housing rent account reference number. This provides assurance that income received is receipted and posted to the relevant account in a timely manner and the receipts are accurate and valid.
- Rejected direct debit payments testing established that the account was updated in a timely manner, including letters to the tenant to advise them of the rejection. This demonstrates that timely follow up and action is taken to recover any outstanding income.

Rent arrears

- The service monitors quarterly performance indicators which includes a number of Key Performance Indicators (KPIs) which form part of the Council's corporate performance monitoring reports. These include '% collection of rent and arrears' and 'arrears as a percentage of rent debit'.
- Throughout the pandemic, the HRA Income Service Manager has been providing updates on service performance, including arrears collection rates and the impact of covid-19 on the service as a whole, to the Housing Director, Finance Director and HRA service accountant. This facilitates ongoing communication to senior management to keep them up to date with key information to make informed decisions.

Reconciliations

- All sampled weekly reconciliations between the housing rent system and cash receipting and housing benefit systems, performed by the Senior Rents Officer, reconciled and were signed and dated by both preparer and reviewer. This provides assurance that total balances within these key systems are accurate and any discrepancies should be detected and investigated in a timely manner.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'important' recommendation has been made.

Amendments to Housing Rent Accounts

- In relation to the Housing Management System user access, the following is undertaken quarterly: an audit of user access levels; review of the starters, movers and leavers list against the list of users; and to contact managers to ensure they inform the system administrator when staff change job or leave the team/Council.

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

Rent Arrears

- A report of current arrears, where action has not been taken within the last month, is reviewed and action taken where necessary taking into account the second lockdown and the financial circumstances of tenants.
- Staff are reminded of the requirement to calculate expected payments against payments actually made and to take action if payments are less than expected.

Amendments to Rent Accounts

- Signing off of the amendments reports be brought up to date by the Senior Rents Officer.
- In respect of the OHMS suspense account, the following is undertaken: reminder to staff to add explanatory notes to the account to which the amount has been transferred to; folders be set up for each financial year to which supporting evidence can be filed; and monthly emails to staff be undertaken asking if items can be identified. Suspense procedures to be updated to take the above issues into account.
- Ceased accounts are deactivated within the same rental week, or within five working days as a maximum.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider relates to the following:

Rent Arrears

- Quarterly targets for the '% collection of rent and arrears' KPI are revisited to be both realistic and challenging, based on previous year's performance.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.

Other points noted

- Monthly reconciliations of rent refunds and income are undertaken in Finance for the rents system, along with housing benefit, to the general ledger. It was noted that the reconciliations are held electronically, however they are not signed or dated by the person completing or reviewing them. However, a sign off sheet has since been added to the reconciliation, the September 2020 reconciliation now being provided with these details. Therefore a recommendation has not been raised due to this issue being rectified.

The following points outline the issues/changes in working conditions and processes which have occurred as a result of the impact of the covid-19 pandemic:

- Management agreed, during lockdown, that former tenant arrears (FTA) would not be actioned due to the impact of covid-19 on the service and its resources and other work being prioritised. Due to this, normal sample testing of FTA was not undertaken. Instead, a review has been undertaken of a report of all outstanding FTA as of October 2020. This identified the following:
 - There are a total of 848 FTA accounts, which total £475,351. To put this into context, collection of income and arrears (both current and former tenants) for quarters 1 and 2, for 2020/21, were 91.34% and 95.51% respectively, against the 2019/20 quarters 1 and 2 of 93.47% and 99.15%, a noticeable reduction as a result of the impact of covid-19.
 - The largest debt is for £4,464.04 for an account which was ceased on 23/03/2017 (having started in December 2016) with no payments received on the account.
 - A number of accounts (717) have received payments although the oldest payments date back to 2003. The most recent payment was received on 09/10/2020. Therefore, 131 accounts have not received any payments.

The HRA Income Service Manager has confirmed that there is now a plan in place to re-commence action on FTA which involves updating the letters to tenants to ensure they take into account the covid-19 situation. The date for re-commencement of action is planned for the New Year, taking into account the 2nd lockdown.

- The emphasis and priority of the team during the pandemic has been to focus on assisting tenants in sustaining their tenancies and offering support. Example of this support includes referrals to DIAL (organisation that provides financial and personal advice and guidance with expertise in disability matters) and promotion of the NAS (Norfolk Assistance Scheme) scheme which tenants can apply for, which includes obtaining financial support to address rent arrears.
- A further change to how the team operates is the suspension of home visits to tenants during the pandemic. The team have now started to move towards essential visits being undertaken in specific cases where tenants are at risk of a warrant for eviction of rent arrears. For such home visits, a risk assessment has been completed for this situation and a pre-visit checklist is completed before the visit is undertaken. However, due to the particular criteria for home visits, the amount of visits made is very low.
- Government intervention in the form of possession/eviction notices being ceased. However, this prohibition has now been lifted and the period of notice given is now six months as opposed to the original four weeks. The notice of seeking possessions letters have now been reviewed by NPLaw to take into account

the new notice period and the first ones are planned to be served in the New Year. These will be overseen by the HRA Income Service Manager who will take into account if arrears are due to the impact of Covid-19 and if payments are being made. Re-commencement is delayed further due to the second lockdown and the Council making a local decision to not serve any notices until the lockdown is over.

- Working from home has seen a decrease in the teams productivity due to the computer systems running slower, which the councils Information and Management Team are aware of, having put in a remote Desktop Services (RDS) connection. Although this has made an improvement, productivity is still down by 10%. A new upgraded version of this, or a new system is looking to be implemented in the near future.
- The Rent Income and Arrears Policy was due to be reviewed in March 2020. Whilst the review of this has started, the new policy is in its first draft stages, and is due to be finalised soon.