



**GREAT YARMOUTH**  
BOROUGH COUNCIL

**ADDITIONAL PAPERS (2)**

**for the**

**AUDIT AND RISK COMMITTEE**

**23 June 2008**

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**AUDIT AND RISK COMMITTEE**

**23 June 2007**

**ADDITIONAL PAPERS (2)**

**2. FOLLOW UP ON INTERNAL AUDIT ACTIVITIES**

... The Internal Auditor's report is attached (pages 137 - 152).

**4. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE**

... The Internal Auditor's report is attached (pages 153 - 157).

**(Members are asked to note that item 3 (Annual Report on Internal Audit Activity 2007/08 is deferred until the next meeting).**

**\* \* \* \* \***



**Great Yarmouth Borough Council****Follow up of agreed actions arising from Internal Audit final reports****A report from the Head of Internal Audit****Purpose of Report**

The report seeks to provide an overview of the status of agreed actions arising from audits performed during 2006/07 and 2007/08. Management's commitment to enhancing the internal control environment through the implementation of internal audit recommendations is duly explored, and an analysis has been undertaken to determine the extent of outstanding agreed actions currently in existence, in terms of those partially completed or still to be actioned by the agreed target dates and those where the expiry date is still in the future.

**Recommendations**

It is recommended that the Audit and Risk Committee:

Note the overall position regarding agreed actions arising from audit reviews and decide whether management has been taking appropriate steps to address weaknesses found in the internal control environment, as identified in final audit reports.

**1. Background**

- 1.1. As a consequence of re-letting the Internal Audit Services Contract from 1 October 2007 and changing over service provider from Norfolk Audit Services to South Norfolk Council and its contract with Deloitte and Touche Public Sector Internal Audit Ltd, there has been a departure from the normal cycle for completing and reporting on audit follow up action. This report therefore seeks to bring the Audit and Risk Committee up-to-date on the current status of agreed audit recommendations. Hereafter, a regular reporting cycle will be applied to keep the Committee informed of the latest information available regarding high, medium and low priority recommendations.
- 1.2. Previously, the follow up reports to Committee have concentrated on high level recommendations only. This report seeks to give an overview of all recommendations irrespective of their priority. Appendix 1 gives a full schedule of all outstanding agreed actions against recommendations which have been classified high, medium and low priority.

### 1.3. Recommendation Priorities

Internal Audit uses a 'High', 'Medium' and 'Low' rating for their recommendations and an explanation of the priority levels is provided below:

<b>High</b>	<p>Fundamental issue for the attention of senior management and the Audit &amp; Risk Committee – fundamental deficiency found in the internal control environment whereby:</p> <ul style="list-style-type: none"><li>• Control processes are generally weak leaving the processes/systems open to significant error or abuse; and/or</li><li>• Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</li></ul> <p>Control weaknesses of this nature must be fully rectified within a three-month timescale or compensating controls put in place to mitigate the risks identified, until such time as full implementation of the recommendation can be achieved.</p>
<b>Medium</b>	<p>Important issue to be addressed by management in their areas of responsibility – important deficiency found in the internal control environment resulting in:</p> <ul style="list-style-type: none"><li>• Weaknesses in the system of internal controls putting the client's objectives at risk; and/or</li><li>• The level of non-compliance putting the client's objectives at risk.</li></ul> <p>Control weaknesses of this nature should be actioned within four - six months.</p>
<b>Low</b>	<p>Minor issues to be resolved on site with local management – while there is a basically sound system of internal control, minor deficiency found in the internal control environment so that:</p> <ul style="list-style-type: none"><li>• While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk; and/or</li><li>• There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk; and/or</li><li>• There is scope to introduce additional enhancements to the system of internal control to further strengthen existing arrangements in place.</li></ul> <p>Control weaknesses of this nature should be resolved within seven – nine months.</p>

- 1.4 Members should note that the recommendations relate almost entirely to reports in the 2006/07 audit plan. Reports undertaken in the first six months of 2007/08 (the period immediately prior to changeover of internal audit service provider) as detailed in Norfolk Audit Services Mid-Year report (presented to the Audit and Risk Committee on 12 November 2007) were not finalised to the extent that the action plans to address internal control weaknesses have yet to be fully completed with client officers. Until such time as this is done no audit follow up action is possible in relation to these audits.
- 1.5 The outcomes of audit follow up presented here, relate to both systems reviews and computer audits subject to final audit reports issued during 2006/07 and also apply to a single audit from 2007/08.

**2. The Outcomes of Audit Follow Up Work completed as at the end of April 2008**

- 2.1 A total of 13 audit reports have been revisited and the relevant categorised recommendations subjected to audit follow up. Outcomes of our work have confirmed the current position as recorded in the table below:

**2.2 Analysis of recommendations showing current status**

<b>Status</b>	<b>High Priority</b>	<b>Medium Priority</b>	<b>Low Priority</b>	<b>Totals</b>
Completed/superseded	18	28	6	<b>52</b>
Still to be fully resolved	5	12	2	<b>19</b>
Target dates not yet reached	0	0	0	<b>0</b>
Further information required to confirm status	13	13	11	<b>37</b>
<b>Totals</b>	<b>36</b>	<b>53</b>	<b>19</b>	<b>108</b>

In the course of reviewing the status of the action lists generated by audit reports, the total position is such that 52 (48.1%) recommendations have been fully implemented or superseded by subsequent events. The remaining 56 agreed recommendations (51.9%) require action or further information to confirm their status. These 56 outstanding recommendations can be seen in detail in Appendix 1.

### **3. Options**

- 3.1 The Audit and Risk Committee should be utilising the information contained within this report to decide whether management is taking adequate action to address internal control weaknesses reported upon previously. In addition, the current status of agreed actions should be noted, given their overall impact on the sufficiency of the internal control environment operating at the Council.

### **4. Reasons for Recommendation**

- 4.1 To ensure that the Audit and Risk Committee is better informed as to the way in which management is taking forward agreed actions designed to strengthen the internal control environment in which services operate.

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Appendices attached to this report:

Appendix 1: Schedule of Outstanding Agreed Actions as at April 2008

Great Yarmouth Borough Council  
Schedule of Outstanding Agreed Actions as at April 2008

Reference	Audit	Date Report Issued	Rec No	Recommendation	Priority Rating	Original comments of auditee	Responsible Officer	Agreed Implementation date	Forvised Implementation Date	Comments
2006/07 1	Main System - Cash	07/06/07	2	Receiptacle Income sign off The Cashiers procedures manual should be followed. Controls should be strengthened to identify non compliance and address it in a timely manner.	M	The cashiers will be reminded that the procedures need to be followed and the supervising cashier has been given the task to check that the procedures are being followed.	Chief Cashier	01/07/2007		The new Team Leader position which is in the process of being developed will cover this requirement.
1	Main System - Cash	07/06/07	5	Access removal process A formal process should be introduced to ensure that the Chief Cashier is informed promptly of staff no longer requiring access to the Cash Receipting system	M	The Chief Cashier will review the user forms every January to ensure that all users should still have access. All the Team Leaders who authorised access to the cash systems will be notified by e-mail and will have to confirm the users listed are still entitled to use the system.	Chief Cashier	Jan-08		This will be done asap.
2	Main Accounting - Payroll	08/06/07	1	Reconciliation between Payroll and Ledger A reconciliation should be performed as a matter of priority. Responsibility should be allocated to ensure that the reconciliation is performed monthly	H	Payroll reconciliation is one of a number of reconciliations which will be undertaken by the year end.	Head of Financial Services	01/07/2007	31/03/2008	Payroll is one of a number of reconciliations being produced for end of April by Lesley Kay (contractor). Still in progress.
2	Main Accounting - Payroll	08/06/07	9	Global Update Consideration should be given to using the 'Global Update' facility and focus the manual process on part time and casual workers. The possibility to develop the Global Update facility so as to cover all types of contracts should also be investigated. Spot check controls should remain so as to ensure that calculations are performed correctly by the system and arrears have been dealt with adequately.	M	Previously lack of time. More recently staff shortage and more pressing work is pay award to put through. Agreed to implement by 31st March 08	HR Manager (Pay & Reward)	31/10/2007	31/03/2008	Status update awaited from Management
2	Main Accounting - Payroll	08/06/07	10	Evidence of check of inclusion of starters in payroll A system should be developed to record the confirmation that all new starters have been included in the coming payroll. This may be done using the variance report and ensuring all new starters are included on it.	L	Agreed will be done	HR Manager (Pay & Reward)	01/08/2007	31/01/2008	Status update awaited from Management
2	Main Accounting - Payroll	08/06/07	11	Employee monitoring list not returned The employee lists should be returned promptly. The Technical section should monitor the receipt of commented report and chase as required.	L	Full establishment list is being constructed and costed for 2008/09 budget. Accountants review expenditure against budget and identify posts that are vacant or unfunded. List is reviewed / refreshed by Accountants. This is to be delegated to a Service Accountant in the near future. No longer a technical Section function.	Finance Manager		31/03/08	Status update awaited from Management

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2	Main Accounting - Payroll	08/06/07	12	Cheque Payment reference Consideration should be given as to whether the cheque references could be recorded in the payroll system. Evidence of the 'bible' check Consideration should be given to recording in the payroll paper record ('the bible') that the details have been agreed to the salary screen.	L	Agreed will be done	HR Manager (Pay & Reward)	31/12/2007	31/12/2007	Status update awaited from Management
2	Main Accounting - Payroll	08/06/07	13	Declaration of interest A control should be developed to monitor the independence of processing staff. This may be achieved through exception reports on names and property addresses, as per information gathered through the employees declarations of interest. Other authorities have also introduced a field in each claim to record the independence of the processor.	L	Agreed will be done	HR Manager (Pay & Reward)	30/09/2007	30/09/2007	Status update awaited from Management
3	Main Accounting - Housing Benefits	05/06/2007	4		M	(1) Sample checks on names and addresses made following information gathered from annual declaration of interest exercise to monitor and identify potential risks of independence of processing staff. (2) Contact to be made with IBS to ascertain if it is possible to develop a field on individual claims to establish independence of processing staff to claimants. In previous years we have gathered information from within our department about members of staff. There have been no declarations of interest in benefit claims or properties where benefit claimants have a member of the department as their landlord. We have therefore been unable to carry out a sample check. The Systems Team is now going to take on the role of obtaining this information and will expand the information requested to include Council Tax and Business Rates interest as well as benefits. We will then set up a sample	Operations Service Unit Manager Revenues Manager - S,D & P and the Processing Manager	(1) 31/07/07 (2) 30/09/07	31/03/2008	(1) still requires actioning potentially can be done but need to investigate how it is to be set up. (2) had response from IBS to say that this

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3	Main Accounting - Housing Benefits	05/06/07	5	Data transfer interfacing should be developed between IBS and the new Financial Management system so that data can be transferred automatically between systems. The impact on database integrity will have to be considered and mitigated by adequate controls.	M	Development of interface between IBS and FMS to enable data to transfer automatically between systems. Database integrity to be mitigated with adequate controls in place. The new FMS system did not go live until April 07. This did not include the cash merge programmes which are the main areas we link to. We are currently unable to interface with these because of the age of the programmes and the language they are written in. Manual procedures are in place to cover all the interface work and we will be working with Finance in the future to see if there are any other areas that can be streamlined. This will be dependent on their workload as their system is still in the earlier stages of development for their own areas of work.	Revenues Manager - Support, Development and Partnership	31/03/2007	30/06/2008	As previously stated there is no progress made as the cash merge file is still being used with no indication of whether this will change in the future.
4	Corporate Estates	13/06/07	1	Operational and Control procedures The Procedures Manual should be updated. Current procedures in the manual should be reviewed to ensure they reflect current processes. New procedures should be developed to ensure all activities undertaken by Corporate Estates are covered by a written procedure. The new procedures should be communicated and promoted to all staff.	M		Head of Property Services	31/12/2007	31/08/2008	Outstanding. Due to lack of resources. To be implemented when new member of staff is appointed.
4	Corporate Estates	13/06/07	2	Rent Level on the Ledger Controls should be strengthened to ensure that all newly agreed rent levels are updated promptly on the sales ledger.	H	A mechanism will be implemented requiring confirmation from Accounts Receivable that the Sales Ledger has been updated, with the use of diary entries to ensure that timely confirmation is received.	Head of Property Services	30/06/2007	01/09/2008	Outstanding - aiming to implement by 31.08.08. Not completed by due date as there is a lack of resources. Job advert for new post in June '08.
4	Corporate Estates	13/06/07	6	Details on the ledger and on RDAs Controls should be strengthened to ensure all RDAs are received and retained within Accounts Receivable. Consideration should be given to provide the financial code on all RDAs including those relating to rent reviews.	L	Accounts Receivable to be asked to keep all current RDAs, and the agreed action in Recommendation 2 will act as a check on receipt. In addition all case valuers will be supplied with a breakdown of properties feeding into each Financial Ledger Code for ease of reference and inclusion of appropriate Code will become a requirement of all RDAs issued.	Head of Property Services	30/06/07	31/08/08	Outstanding - aiming to implement by 31.08.08. Not completed by due date as there is a lack of resources. Job advert for new post in June '08.

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5	HR Expenses	05/06/07	3	Financial Regulations Ensure a copy of the Financial Regulations is kept within the payroll department and all staff are made aware of its location and content.	M	(1) Copy of Regulation to be held in Pay & Reward  (2) Briefing from Financial Services on Financial Regulations to be arranged for future Learning Hour. Spot testing (sample of 6 a month) to be carried out every month.	HR Manager (Pay & Reward) Head of Central Services	Immediate	01/01/2008	Status update awaited from Management  Have spoken to Service Manager (HR) who feels this is the responsibility of managers. Ruth Hansell is to investigate publishing rates on the intranet. Update meeting of 13.06.08 identified that the staff do not clearly understand the requirements of the recommendation. Procedures should clearly state that amounts exceeding the specified allowances, should not be authorised by managers and should be rejected by HR.
5	HR Expenses	05/06/07	4	Lunch Allowance rate Controls should be strengthened to ensure expenses are claimed in line with the agreed rates.	M	Spot testing (sample of 6 a month) to be carried out every month. To request access to Integra. Training to be provided by Finance Team.	HR Manager (Pay & Reward)	01/07/2007	31/01/2008	
5	HR Expenses	05/06/07	5	Incorrect Amount Controls should be strengthened to ensure amounts input into the General Ledger are accurate.	M		HR Manager (Pay & Reward)	01/07/2007		
7	Contract Audit 2006/07 - Partnership Monitoring Arrangements	05/06/07	1	Written Procedures Written corporate guidelines should be developed to ensure that partnership agreements and other such arrangements for service provision are managed consistently and in line with good practice. Written procedures should also be produced with regard to the specific partnership to ensure that consistent monitoring takes place for all services provided under the agreement. Once developed consider assessing the procedures against industry best practice.	H	Incorporation of corporate guidelines relating to partnership agreements within the Borough Councils Constitution, Corporate financial procedures and standing orders. Development and incorporation of written procedures and associated documentation including monitoring. Reporting of partnership performance to members in accordance with revised overall GYBC Performance reporting guidelines. Corporate guidelines to be issued in Jan/Feb 2008 Environmental Services Manager/GYBS Managing Director to follow up with written procedures for GYBC/GYBS Partnership in accordance with corporate guidelines. HFS - A review of partnership arrangements is being facilitated by Zurich Municipal, and will be undertaken by March 2008.	Corporate Management Board/ Head of Financial Services/ Members  Environmental Strategy Manager / GYBS Managing Director  Environmental Strategy Manager / GYBS Managing Director	01/09/2007	28/02/2008	Status update awaited from Management

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7	Contract Audit 2006/07 - Partnership Monitoring Arrangements	05/06/07	2	Accounting Arrangements GYBC should request supporting evidence to corroborate the amount identified as a surplus in any financial year. Given the fact that GYBC Services Ltd's turnover brings the company over the audit exemption threshold, GYBC should obtain GYB Services Ltd audited accounts from the company itself or could, if necessary, obtain them from Companies House as evidence of the profit realised.	H	Obtain audited evidence of surplus.	Head of Financial Services	Jul-07	31/05/2008	Financial information has been requested, but has not to date been received. Renewed efforts will be made to ensure that both 2006/07 and 2007/08 evidence of surplus are received for the production of the 2007/08 Statement of Accounts
7	Contract Audit 2006/07 - Partnership Monitoring Arrangements	05/06/07	6	Performance Monitoring record Performance monitoring data should be kept up to date on at least a monthly basis.	M	Performance data to be supplied to form part of standard agenda for discussion in monthly meetings referred to in recommendation 5.	Relevant GYBS Service Managers	Jul-07	28/02/2008	Performance monitoring data has always been kept up to date on at least a monthly basis. It has been reported to every meeting of the GYB Board, usually quarterly. Information has been reported to monthly officer partnership meetings during 2007 but not to the last couple of meetings that have concentrated on specific service issues. The data collection methodology and reporting mechanisms are currently being reviewed to improve the whole process and this will operate from February 2008. In the meantime the current reporting structure will continue.
7	Contract Audit 2006/07 - Partnership Monitoring Arrangements	05/06/07	9	Efficiency Savings Improvements to the services achieved within existing resources and savings should be costed and reported as AES efficiency savings to the PLB	M	Exercise to be undertaken to identify efficiency savings and value for money achievements of the partnership using October 2003 inception date as a baseline. Efficiency Savings exercise already undertaken during 2007 identifying over £45,200 of General Fund operational savings on energy, footway lighting R & M and Beach Guard services in 07/08 (with full year savings of £169,200 in 08/09) to be implemented without affecting service delivery (£26,200 and £150,200 net saving allowing for transfer of some costs to HRA). Reported to PLB 12th November 2007 Exercise to identify backdated efficiency gains as per report action plan to commence shortly.	Environmental Strategy Manager /GYBS Managing Director	Oct-07	31/03/2008	Status update awaited from Management
7	Contract Audit 2006/07 - Partnership Monitoring Arrangements	05/06/07	10	Audit of data provided by GYB Services Evidence should be obtained of GYB Services data being audited and of the data covered by the audit. This should include any results from the audit checks and any follow up action taken by GYBC officers as appropriate.	M	Protocols and documentation to be incorporated as appropriate. Corporate guidelines to be issued in Jan/Feb 2008 Environmental Services Manager/GYBS Managing Director to follow up with written procedures for GYBC/GYBS Partnership in accordance with corporate guidelines.	Environmental Services Manager /GYBS Managing Director		31/03/2008	Status update awaited from Management

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8	Business Continuity	26/06/07	1	BCP Strategy A more comprehensive strategy should be developed for Business Continuity Planning. Responsibility to take the agenda forward should be clearly allocated. Should this remain incorporated within the Emergency Planning Strategy, greater visibility should be given to the BCP element of it.	H	Paper to be produced for Executive Board.	Executive Director (Customer & Resources)	Sep-07	31/01/2008	Status update awaited from Management
8	Business Continuity	26/06/07	2	Appointment of Responsible Officer Responsibility for moving the BCP agenda forward should be allocated to a specific member of staff with appropriate authority.	H	New staff member identified	Executive Director (Customer & Resources)	Sep-07	31/01/2008	Status update awaited from Management
8	Business Continuity	26/06/07	3	BCP Policy and Procedures The Cabinet should agree GYBC's policy with regards to BCP. The Executive Board should ensure that a formal set of procedures is produced for the business continuity function. The current documents should be further supported by the following as a minimum : - Sample of standard templates (BCP, impact analysis, invocation checklists, reporting) - testing/further developments required - progress reporting - training requirements - staff awareness The above set of documents should be delivered to new staff with managerial responsibility.	H	Paper to Executive Board detailing proposed policies and procedures	Executive Director (Customer & Resources)	Sept 07/Oct 07	31/01/2008	Status update awaited from Management
8	Business Continuity	26/06/07	4	BCP Test Programme The Executive Board should ensure that plans for a series of testing programmes are introduced, together with indicative timescales. Responsibility should be clearly allocated for the monitoring of progress against the indicative timescales. Controls should be developed to ensure that the testing of the plans includes a review of the contractor's arrangements, and helps identify inter-relationship with other functions. Issues identified during testing should be appropriately recorded and addressed. Significant issues may need reporting to the Executive Board.	H	Timetable for testing included in the Executive Board paper	Executive Director (Customer & Resources)	Sep-07	31/01/2008	Status update awaited from Management
8	Business Continuity	26/06/07	5	BCP Advice Role The Executive Board should ensure that formal arrangements to provide Business Continuity advice and assistance are introduced, and a timescale set for this.	H	Executive Director (Customer & Resources) to meet with the Head of Community Services to discuss and agree a joint approach to BCP & Emergency Planning Advice. Possibility of working with County Council	Executive Director (Customer & Resources)	01/09/2007	31/01/2008	Status update awaited from Management

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8	Business Continuity	26/06/07	6	BCP Inter-Relationships The Executive Board should ensure that where full recovery of a specific function is dependent on another function within the Borough, these interdependencies are identified and highlighted within the individual BCPs and the summary spreadsheet. The exercise may focus on key services for the Borough, identified on a risk-assessed basis.	M	All Service Unit Managers to review BCPs and identify inter-dependencies. Executive Board to establish hierarchy of recovery based on service criticality and/or inter-dependency.	Executive Director (Customer & Resources)	Dec-07		Status update awaited from Management
8	Business Continuity	26/06/07	7	Training on BCP Training material should be developed with regard to BCP. The training event should be identified as a priority training need for all new members of staff, with managerial duties.	M	New BCP Officer to discuss with HR Manager to include in induction.	Executive Director (Customer & Resources)	Dec-07		Status update awaited from Management
8	Business Continuity	26/06/07	8	BCP Test Exception Reporting The Executive Board should introduce a standard reporting template for the recording of BCP testing. This template should include as a minimum : - findings/exceptions identified - actions taken/to be taken - timescales - responsibilities - accountability arrangements Clarification should also be given as to who should receive and act on the above information.	M	Reporting mechanism to be established by the new BCP Officer before the program of testing begins	Executive Director (Customer & Resources)	Sep-07	31/01/2008	Status update awaited from Management
8	Business Continuity	26/06/07	9	BCP Performance Indicators The Executive Board should introduce performance indicators to monitor further progress with regards to Business Continuity Planning, and especially with regard to the testing of other plans.	M	To be picked up in the report to Executive Board	Executive Director (Customer & Resources)	Sep-07	31/01/2008	Status update awaited from Management
8	Business Continuity	26/06/07	10	BCP Risk Mitigation Consideration should be given to including counter measures to the identified scenarios in the departmental business continuity plans.	L	Template to be amended for prompt consideration of risk mitigation. Corporate Risk Register to be reviewed to ensure BCP risks covered.	BCP Officer	01/12/2007	01/12/2007	Status update awaited from Management

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Reference	Audit	Date Report Issued	Rec No	Recommendation	Priority Rating	Original comments of auditee	Responsible Officer	Agreed Implementation date	Revised Implementation Date	Comments
9	Project Management 06/07	01/06/07	1	<p>Strategy, policy, and procedures</p> <p>A policy should be developed, committing to a corporate management and ownership of project management within the Council, as opposed to the current fragmented approach. A strategy should be established, developing the council's action plan with regard to achieving its project management strategy. The policy should include items such as:</p> <ul style="list-style-type: none"> <li>- a commitment to develop operational and control procedures</li> <li>- a commitment to adopt a recognised methodology for all corporately significant projects</li> <li>- a commitment to develop a training strategy</li> </ul> <p>commitment to establish clear reporting lines. Procedures should be developed to provide guidance on project management and ensure appropriate controls are in place to monitor quality and performance. The procedures should acknowledge that projects can be of different scale and impact.</p>	H	Agreed will be done.	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	2	<p>Strengthening the Approval Process</p> <p>The merits and business impact of projects should also be fully assessed in line with other projects and priorities prior to the project being approved. Priorities should be established so as to focus the Council's efforts and ensure all projects are congruent with its strategic objectives. The Reshaping Services Program Board has been fulfilling the above function for the projects within the Reshaping Services programme. This could provide a platform to build from in order to achieve prioritisation at a Borough wide level.</p>	H	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	3	<p>Reporting Structure</p> <p>A standard reporting structure should be established and followed for all corporately significant projects. This should lead to formal reports being prepared and minuted. Consideration should be given for the Executive Board and the Cabinet to have a standing item on their agenda dedicated to the review of progress on the Borough's key projects.</p>	H	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management

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Reference	Audit	Date Report Issued	Rec No	Recommendation	Priority Rating	Original comments of auditor	Responsible Officer	Agreed Implementation date	Revised Implementation Date	Comments
9	Project Management 06/07	01/06/07	4	<b>Guidance on Appointment for Key Roles</b> Guidance should be developed for the selection of the Project Board members. This should give consideration to the key roles and responsibilities of each individual as per the Prince2 methodology and ensure that appointments are in line with authority levels within the organisation. Consideration should be given to appointing a member of the Executive Board as the chair of all corporately significant projects. Such projects will need to be defined clearly.	H	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	5	<b>Standards for the Development and Procurement of IT Projects</b> Corporate standards should be established for the development and procurement of IT projects or projects with a significant IT element.	H	Agreed will be done	Head of Customer Services	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	6	<b>Business Case</b> The controls should be strengthened so as to ensure that all decisions to embark on a new project are supported by a robust business case. The business case should include a full assessment of the business impact of the project.	M	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	7	<b>Business Continuity Planning</b> Controls should be developed to ensure that Business Continuity Planning is being considered at the outset of the project and that operational plans are updated where relevant.	M	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	8	<b>Regular Review of Risk Register</b> The provisions of the risk management strategy should be communicated and followed. The process to monitor risks should be aligned with those to monitor performance.	M	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	9	<b>Change Control Procedures</b> A procedure should be developed to standardise the change management control process and ensure at least one member of the Executive Board is involved in the process for corporately significant projects. The procedure should specify thresholds of delegated authority to ensure that only major changes are referred to the Executive Board, and the process remains flexible.	M	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management

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Schedule of Outstanding Agreed Actions as at April 2008

Reference	Audit	Date Report Issued	Rec No	Recommendation	Priority Rating	Original comments of auditee	Responsible Officer	Agreed Implementation date	Revised Implementation Date	Comments
9	Project Management 06/07	01/06/07	10	Support to Project Manager Consideration should be given to roll out this good practice from the Improvement and Development Office team and formally identify the project team as a source of guidance for project managers across the Council.	L	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
9	Project Management 06/07	01/06/07	11	Good Practice and Lessons Learnt A process should be developed to facilitate the dissemination of the cumulative knowledge and experience acquired.	L	Agreed will be done	Executive Director (Performance and Resources)	Significant progress by 31/12/07		Status update awaited from Management
10	Local Area Agreement Grants	27/07/08	7	Delivery of Outcomes Greater care should be given in future annual agreements to ensure that they are not in conflict with the initial agreement with the funding body.	L	2007/08 Annual Local Area Agreement to state Neighbourhood Element funding to deliver against Outcome 3.6: "Empower local people to have a greater voice and influence over local decision making and a greater role in public service delivery". Head of Finance part of LAA working party	Head of Financial Services (When able to liaise with NCC LAA Management)		31/03/2008	Status update awaited from Management
10	Local Area Agreement Grants	27/07/08	10	Monitoring Expenditure The authority should continue to develop the monitoring schedule as planned, and use it to monitor expenditure paid to contractors.	L	The Authority is continuing to develop the monitoring schedule, as planned, and will use it to monitor expenditure paid to contractors.	Jointly GYBC & NCC delivery team	Aug-07		Status update awaited from Management
11	Payroll - Upgrade to CHRIS 21	16/05/07	1	CHRIS 21 Procedures Procedures should be developed to document the new processes and controls in place. The procedures should at least cover the following areas: - payroll process (inputs, processing, outputs, and management controls) - access levels to the system - liaison protocol with Frontier Software PLC - exception monitoring and reporting These procedures should be regularly reviewed by an appropriate officer and communicated to relevant staff.	H	A manual is being prepared and access levels will be reviewed.	HR Manager (Pay & Reward)	31/07/2007	30/11/2007	Status update awaited from Management
11	Payroll - Upgrade to CHRIS 21	16/05/07	2	Reconciliation between Payroll and General Ledger A reconciliation should be performed as a matter of priority. Responsibility should be allocated to ensure that the reconciliation is performed monthly. The reconciliation should be reviewed to ensure all reconciling items have been appropriately investigated and reported.	H	Reconciliation to be carried out. Meeting with Finance Manager & HR Financial consultant to work on this with HR Manager (Pay & Reward).	Service Accountant & HR Manager (Pay & Reward)	ASAP	Early Sept. 07, 31/12/07	Status update awaited from Management
11	Payroll - Upgrade to CHRIS 21	16/05/07	4	Log of User Access Levels A log should be kept of all users and their access levels and reviewed regularly.	M	Review of users and access levels to be carried out and list created.	HR Managers	31/07/2007	31/07/2008	HR Manager (Pay and Reward) and HR Manager (Resourcing) to create a log of users and their access levels and devise and implement review programme.

Great Yarmouth Borough Council  
Schedule of Outstanding Agreed Actions as at April 2008

Reference	Audit	Date Report issued	Rec No	Recommendation	Priority Rating	Original comments of auditee	Responsible Officer	Agreed implementation date	Revised implementation Date	Comments
11	Payroll - Upgrade to CHRIS 21	16/05/07	5	Unsuccessful Log-ins Record The software provider should be contacted to ascertain whether CHRIS 21 has the capability to monitor failed log-ins. If the facility is available, those should be monitored.	M	Frontier to be contacted.	HR Manager (Pay & Reward)		31/01/2008	Status update awaited from Management
11	Payroll - Upgrade to CHRIS 21	16/05/07	7	Receipt of Payslips Consideration should be given to keeping a record of the dates payslips are received and sent by the payroll team at GYBC.	L	Frontier to be asked to email when payslips are dispatched, and Cashiers to be asked to email when distributed.	HR Manager (Pay & Reward)	30/06/2007	31/12/2007	Status update awaited from Management
11	Payroll - Upgrade to CHRIS 21	16/05/07	8	Performance Monitoring of the Software Provider Performance measures should be agreed, in line with the contractual agreement entered into with Frontier Software PLC. Performance should then be monitored and exceptions escalated.	L	List to be created. Service Manager HR, HR Manager (Pay and Reward) and HR Manager (Resourcing) to meet with Frontier to discuss performance measures and agree regular review dates.	HR Managers and Service Manager	31/08/2007	31/01/2008	Status update awaited from Management
12	Review of Systems Administration and Access Security - Revenues and Benefits	05/06/07	3	User Access Review The Assistant Head of Revenue should ensure that a regular review of the users access rights is undertaken in the near future (as planned) and in line with Corporate Information Security Policy going forward. Current access levels should be rationalised through the use of generic access profiles.	M	When the whole security process is reviewed a series of documents is to be created to detail all access levels within generic groups together with details of all users assigned to each group.	Revenues Manager - Support, Development and Partnership Processing Manager	30/11/2007	30/11/2008	Outstanding - a number of major issues have arisen this year around benefit subsidy so priorities have had to be revised
12	Review of Systems Administration and Access Security - Revenues and Benefits	05/06/07	5	Monitoring of Unsuccessful Log-ins Unsuccessful log-ins should be monitored, a report produced from IBS and reviewed on a regular basis.	M	Contact is to be made with IBS to ascertain the feasibility of this with the system. Will put this in as a help request to IBS and see what their response is. If it can be done a monitoring procedure will be put in place.	Revenues Manager - Support, Development and Partnership	30/06/2007	31/03/2008	Outstanding - this has been included in IBS list of enhancements as it was brought up by another authority. As yet we have no dates for implementation
12	Review of Systems Administration and Access Security - Revenues and Benefits	05/06/07	6	Database Integrity Checks A control should be implemented to monitor changes to the parameter data. The responsibility for this control should be independent from those with system administrator access, in order to maintain adequate segregation of duty.	M	Contact is to be made with IBS to ascertain the feasibility of this with the system. If no automated controls, manual controls to be in place to monitor activity	Revenues Manager - Support, Development and Partnership	30/07/2007	31/08/2008	Certain parameters have audit controls in place. However full understanding of what was required has only been identified since our database analyst has been on a recent training course covering this. A meeting is to be arranged with the Revenues Manager - Support, Development and Partnership and the database analyst to identify any parameters not currently being covered and put the controls in place.
12	Review of Systems Administration and Access Security - Revenues and Benefits	05/06/07	8	Audit Trail Archiving An archiving plan should be prepared by the Systems Administrators and agreed with Stakeholders.	L		Processing Manager	31/03/2008	31/12/2008	currently there is no facility to archive data. This is being looked at by IBS but is at the very early stages.

Great Yarmouth Borough Council  
Schedule of Outstanding Agreed Actions as at April 2008

Reference	Audit	Date Report Issued	Rec No	Recommendation	Priority Rating	Original comments of auditee	Responsible Officer	Agreed Implementation Date	Revised Implementation Date	Comments
2007/03 1	SIC	13/06/2007	4	Assurance Framework - Procedural - Improve the procedures for the preparation of the SIC. Ensure that the Authority has gathered the appropriate evidence to support the assertions made, and that this evidence is fully presented to the councillors approving the SIC. Ensure that issues reported by both the internal and external auditors are considered when the SIC is drafted. Develop and monitor formal action plans to address issues either disclosed in the SIC or considered when compiling the evidence.	H	More robust approach to preparing the SIC to be developed and rolled out across the Council from April 2007, including the involvement of Heads of Service and Service Unit Managers together with supporting evidence, etc. Detailed action plans to be formulated for all key areas identified requiring improvement for monitoring during and after the SIC has been completed. Full report to be issued to Members to accompany the SIC	Executive Director (Resources) and Head of Financial Services	30/06/2007	30/06/2008	Improvements will be made when producing the Annual Governance Statement for 2007/08. June 2008.
1	SIC	13/06/2007	5	Value for Money - Address the necessary improvements in areas where the Authority needs to take action to achieve an unqualified value for money opinion. Councillors need to develop a suitably detailed action plan which should be monitored on a regular basis.	H	Recommendations have been implemented with the following exceptions - improvements in the arrangements supporting the production and approval of the SIC - improvements will be made when producing the Annual Governance Statement for 2007/08, June 2008. Improvements in the Council's approach to procurement and contracting - an action plan has been drawn up to ensure improvements are made by March 2008.	Executive Director (Resources) and Head of Financial Services	30/04/2007	30/06/2008	

**Great Yarmouth Borough Council****Annual Report of the Audit and Risk Committee for 2007/08****A Report from the Chairman****Summary**

The purpose of this report is to summarise the work of the Audit and Risk Committee during 2007/08, confirm that it has operated in accordance with its original terms of reference, complied with the relevant Codes of Practice in the pursuit of best practice and demonstrated effective challenge on the four occasions when it has met throughout the financial year.

**Conclusions**

The Audit and Risk Committee is strongly committed to developing its role, profile and level of challenge, as demonstrated throughout 2007/08. Its function is consistent with best practice and it is fully appreciative of the fact that it has a major role to play in securing improvements to the internal control environment and governance arrangements generally within the Council. Moreover, its growing work programme is indicative of the pro-active stance that it has sought to take at the Council.

**Recommendations**

It is recommended that the Audit and Risk Committee note and approve the contents of the Annual Report for 2007/08.

**1. Background**

- 1.1. The creation of an Audit and Risk Committee at Great Yarmouth Borough Council was approved by Cabinet, the Executive and Full Council in November 2005 and the first meeting of the Committee was subsequently held on 27 March 2006, hence the Committee is now well established and has developed a relatively high profile within the Council, with meetings taking place, on average, 4 times during the financial year. Certainly, this has been the case in 2007/08, as meetings of the Audit and Risk Committee were held in June, November, December and March.
- 1.2. This report is essentially the second report of its nature, following the setting up of the Audit and Risk Committee and it primarily aims to provide an overview as to the work that has been considered and challenged by the Members between April 2007 and March 2008.

**2. Terms of Reference**

- 2.1. The Audit and Risk Committee's terms of reference have been upheld throughout the year and were effectively updated in March 2008 when the Head of Financial

Service presented expanded terms of reference to the Committee for formal endorsement. The comprehensive terms of reference now adopted, ensure notable alignment with best practice guidance.

### **3. Membership and Attendance of the Audit and Risk Committee in 2007/08**

- 3.1. Throughout 2007/08, 7 Councillors have served on the Audit and Risk Committee, and this number is set to increase to 13 Members in 2008/09. One Committee Member has also held an executive role in the Cabinet, i.e. the Cabinet Member for Resources has attended regularly as an observer at Committee meetings.
- 3.2. There has always been a non-executive and independent Chair in order to promote the objectivity of the Audit and Risk Committee, its authority and profile in the eyes of the public. In 2007/08, chairmanship of the Committee has rested with Cllr. Tate, although these arrangements will be changing in 2008/09, when Cllr. Smith takes over as the new Chairman.
- 3.3. It should also be noted that serving Members have a wide range of skills and bring both technical and professional experience to the Committee, drawing in part from the spheres of Accountancy and ICT.
- 3.4. On-going training of Members is understandably viewed as important to the overall performance of the Committee in the delivery of its responsibilities, and in recent weeks, it has been agreed that steps will be taken to organise a locally based course on Effective Audit Committees, engaging a Trainer from CIPFA's Better Governance Forum.

### **4. The Remit of the Audit and Risk Committee**

- 4.1. The Audit and Risk Committee has a pivotal role in approving, reviewing, challenging, monitoring and developing:
  - 4.1.1 The work of Internal Audit through:
    - Its Strategic and Annual Audit Plans;
    - Its Progress and Annual Activity reports;
    - Internal Audit Follow Up reports concerning the status of agreed actions generated by previously performed audit assignments;
    - Other Internal Audit management and performance reports; and,
    - Any additional work commissioned from Internal Audit.
  - 4.1.2 The work of External Audit in accordance with:
    - Appointment provisions;
    - The scope and depth of External Audit work to ensure it is providing value for money;

- The External Auditor's Annual Letter, relevant reports and the report to those charged with governance; and,
- Other specific reports as agreed with / commissioned from the External Auditor.

4.1.3 The Audit and Risk Committee also contributes to the arrangements for driving forward the Regulatory Framework at the Council, partly achieved through its dual role with the Standards Committee to maintain an overview of the Council's Constitution and monitor corporate polices designed to strengthen the anti fraud and corruption culture at the authority. In addition, a key function of the Audit and Risk Committee is to support the on-going advancement and operation of risk management and corporate governance processes at the Council, as well as overseeing the preparation and finalisation of the Annual Governance Statement.

4.1.4 The other important responsibilities place upon the Committee concern its scrutiny of the Council's Annual Statement of Accounts and its input to the Corporate Risk Management Strategy and Risk Assessment.

## 5. The Nature of Work Considered

5.1. In the course of the financial year, reports have been submitted to the Committee on wide ranging topics, including:

### **Audit Activity**

#### **Internal Audit**

- Annual Internal Audit Report for 2006/07 presented by Norfolk Audit Services
- New Contract for Internal Audit Services
- Annual Review of the Effectiveness of Internal Audit 2006/07
- Internal Audit Mid Year Report for 2007/08
- Status Updates on the Implementation of Internal Audit High Priority Recommendations
- Modification of Internal Audit's Annual Plan for 2007/08 at the end of Quarter 3
- Internal Audit's Terms of Reference, Code of Ethics, Audit Strategic, Strategic Audit Plan for April 2008 to March 2013 and Annual Audit Plan for April 2008 to March 2009

#### **External Audit**

- Audit and Inspection Plan for 2007/08
- Status Updates on the Implementation of External Audit High Priority Recommendations
- Data Quality Report – Audit 2006/07

## **Regulatory Framework**

- Draft Statement on Internal Control for 2006/07
- Delivery of Good Governance
- Code of Corporate Governance
- Revised Terms of Reference for the Audit and Risk Committee
- Use of Resources Auditor Judgements 2007
- Strategy to help fight Fraud and Corruption
- Introduction /Completion of Audit Committee Self Assessment Checklist
- Annual Governance Statement 2007/08 – Sources of Assurance

## **Accounts**

- 2006/07 Accounts Closure Update
- Draft & Final Annual Governance Report 2006/07
- Briefing from the Audit Commission on Great Yarmouth Borough Council – Improvements in Financial Management
- The Audit Commission's Final Accounts Memorandum – Audit 2006/07

## **Risk**

- Risk Management Strategy
- Corporate Risk Assessment

## **6. An Overview of Key Issues reviewed during the year**

- 6.1. The extent of reports and issues examined by the Audit and Risk Committee has significantly increased over the past financial year, when comparing back to the original workloads of the newly established Committee in 2005/06 and 2006/07. This has been due to a number of factors including new requirements of a statutory nature, e.g. being made aware of the demands generated by a new Code of Corporate Governance and the migration from a Statement on Internal Control to an Annual Governance Statement; changes in the management structure at the Council and the appointment of a new Head of Financial Services who has introduced a range of new measures for improving service delivery, plus the appointment of a new internal audit service provider. The transition to audit management arrangements from South Norfolk Council and the completion of audit assignments by Deloitte and Touche Public Sector Ltd has led to the formulation and adoption of new terms of reference for Internal Audit and an initiative to formalise working protocols between Internal and External Audit.
- 6.2. Another contributory factor to the Committee's growing workload has stemmed from its involvement in the approval of a new Strategy to help fight Fraud and Corruption and, this will be followed shortly by the introduction of a new Whistle

blowing Policy, which has already been the subject of consultation with the Council's Joint Consultative Committee.

- 6.3. The Committee has sought to comply with best practice and this too has had a marked effect on its workload, given that it has led to an exercise involving the completion of CIPFA's Audit Committee Self-Assessment Checklist. The Head of Internal Audit has likewise sought to demonstrate that the new service provider is delivering the Internal Audit function in line with best practice as advocated in the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The results of this work have been provided to the Head of Financial Services and will be shared with External Audit in the next few months.
- 6.4. The Audit and Risk Committee has provided effective challenge throughout the financial year. Aside from the work highlighted above, it has entered into considerable debate regarding Risk Management arrangements throughout the year and was pleased to be advised that senior management had now developed a revised Risk Management Strategy and at the same time, had made significant improvements to the Corporate Risk Assessment for the Council.
- 6.5. The financial management and reporting provisions have also been a major cause for concern for the Audit and Risk Committee during 2007/08 but as the year has advanced, feedback from officers has confirmed to Members that considerable progress has been made in this direction and previously reported issues raised by External Audit are now being actively addressed.

## **7. Decision Sought**

- 7.1. The Audit and Risk Committee are requested to note and approve the Annual Report of the Committee.

## **8. Proposal and Reasons**

- 8.1. The development of an Annual Report ensures compliance with best practice as identified in CIPFA's publication – 'A Toolkit for Local Authority Audit Committees'.

## **9. Conclusion**

- 9.1. The Audit and Risk Committee has had a very active year as demonstrated by the volume of work it has processed, as detailed in Sections 5 and 6 of this report. The Committee is firmly committed to the further development of its role and profile, and to this end, has had a significant impact on the organisation during the year.