

# Eastern Internal Audit Services



North Norfolk District Council

Internal Audit Update – Progress and Follow Up

Period Covered: 1 April 2022 to 16 September 2022

Responsible Officer: Faye Haywood – Head of Internal Audit for North Norfolk District Council

## CONTENTS

1. INTRODUCTION.....	2
2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN .....	2
3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK .....	2
4. THE OUTCOMES ARISING FROM OUR WORK .....	2
5. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS .....	<b>Error! Bookmark not defined.</b>
APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK.....	4
APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARY .....	5
APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS.....	9
APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS 2019/20.....	10
APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS 2020/21 .....	12
APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS 2021/22 .....	13

**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 requires 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.
- 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 audits; and
  - Performance Indicator outcomes to date.

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

1.1 Since the plan’s approval in March 2022, the following significant change has been made to the plan.

Audit	Change
NN2305 – Accounts Payable	A new finance system is currently being implemented and this is due to go live around mid-November 2022 when the audit was originally scheduled. The project demands significant amounts of finance team time and resources. It is therefore agreed that the team would be unable to support an audit of Accounts Payable at this time. A full in-depth audit will instead be carried out in 2023/24. We will carry out key controls testing of this area in quarter four once the new system is in place and embedded.

**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 26 days of programmed work have now been completed, equating to 16% of the Internal Audit Plan for 2022/23.

**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, one report (as scheduled) has been issued in final for ‘NN2303 Corporate Health and Safety’. The audit has concluded in reasonable assurance, with one important and five needs attention recommendations being raised. In addition, one operational effectiveness matter has been proposed to management for consideration. The Executive Summary of this report is attached at **Appendix 2**, full copy can be requested by Members.
- 4.5 Quarter two work is in progress. Draft reports are expected no later than 10 working days after quarter end.

## **5. FOLLOW UP OF AGREED AUDIT RECOMMENDATIONS**

- 5.1 In addition to providing the Committee with the performance of internal audit relative to its plan, the Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action.
- 5.2 To comply with the above this report includes the status of agreed actions.
- 5.3 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to the Committee. Verification work is also undertaken for those recommendations that are reported as closed.









- 5.4 **Appendix 3** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round. A total of 16 important and nine needs attention priority recommendations are currently outstanding.
- 5.5 **Appendix 4, 5 and 6** provide the committee with details of urgent and important priority recommendations that are overdue by the year in which they were raised. Management responses and a new deadline have been indicated for each where available.

## 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 1</b>											
Corporate Health and Safety	NN2303	10	10	10	Final report issued on 5 September 2022.	Reasonable	0	1	5	1	September 2022
<b>TOTAL</b>		<b>10</b>	<b>10</b>	<b>10</b>							
<b>Quarter 2</b>											
Pier Pavilion	NN2311	8	8	5	Fieldwork underway.						
Building Control	NN2313	8	8	5	Fieldwork underway.						
<b>TOTAL</b>		<b>16</b>	<b>16</b>	<b>10</b>							
<b>Quarter 3</b>											
Corporate Governance	NN2301	8	8	0							
Risk Management	NN2304	6	6	0							
Accounts Payable (Insurance)	NN2305	12	0	0	Audit Deferred to 2023/24.						
Council Tax and NNDR	NN2306	15	15	0							
Local Council Tax Support and Housing Benefits	NN2307	15	15	0							
Legal Services	NN2309	10	10	1	APM (Audit Planning Memorandum) issued on 12 July 2022. Fieldwork due to start on 20 September 2022.						
Property Services Operational	NN2310	10	10	0							
<b>TOTAL</b>		<b>76</b>	<b>64</b>	<b>1</b>							
<b>Quarter 4</b>											
Key Controls and Assurance	NN2302	10	10	0							
Payroll and HR	NN2308	12	12	0							
Economic Growth	NN2312	10	10	0							
Development Management includes planning applications	NN2314	10	10	0							
<b>TOTAL</b>		<b>42</b>	<b>42</b>	<b>0</b>							
<b>IT Audits</b>											
Applications review: Finance System Upgrade	NN2315	10	10	0							
Disaster Recovery	NN2316	10	10	0							
<b>TOTAL</b>		<b>20</b>	<b>20</b>	<b>0</b>							
<b>Follow Up</b>											
Follow Up	N/A	10	10	5							
<b>TOTAL</b>		<b>10</b>	<b>10</b>	<b>5</b>							
<b>TOTAL</b>		<b>174</b>	<b>162</b>	<b>26</b>			0	1	5	1	
<b>Percentage of plan completed</b>				<b>16%</b>							

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARY

### Executive Summary

OVERALL ASSESSMENT	KEY STRATEGIC FINDINGS
	<ul style="list-style-type: none"> <li data-bbox="1144 456 2096 544">  <p>There is not currently an inspection programme to enable monitoring of which inspections have been completed at which properties, and which are still due.</p> </li> <li data-bbox="1144 552 2096 639">  <p>The Health and Safety Policy and associated handbook and procedures are in need of review and update, where applicable, to ensure they are reflective of current practices.</p> </li> <li data-bbox="1144 647 2096 735">  <p>A Health and Safety Coordinators Group, with representatives from each service area, meets on a quarterly basis. However, there are not written terms of reference for the group.</p> </li> <li data-bbox="1144 743 2096 831">  <p>Training provided should be reviewed to ensure that it is appropriate for officers with additional responsibilities. Attendance also needs to be monitored to ensure all key staff have received training.</p> </li> <li data-bbox="1144 839 2096 927">  <p>Completed home working DSE risk assessments are not shared with the Health and Safety team so that they can be reviewed, action taken and monitored for when they are next due.</p> </li> </ul>
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE	GOOD PRACTICE IDENTIFIED
<p>Assurances were provided over the following risks – “Health and safety is ineffectively managed within the organisation, leading to unsafe working practices and harm and or personal injury.” The Corporate Risk Register refers to ‘CR 001 Deteriorating/ underused property assets’.</p>	<ul style="list-style-type: none"> <li data-bbox="1144 1046 2096 1134">  <p>There are corporate groups for Health and Safety and First Aid, which meet on a quarterly basis to share information, training, and best practice.</p> </li> <li data-bbox="1144 1142 2096 1230">  <p>All accidents and incidents are logged on the environmental health system. They are reviewed by a Health and Safety officer and investigated as required.</p> </li> </ul>

SCOPE
An audit of Corporate Health and Safety controls has been completed to establish the robustness of the H&S management system including procedures, reporting of incidents/accidents/near misses, H&S Boards, staff training and risks assessments.

ACTION POINTS			
Urgent	Important	Needs attention	Operational
0	1	5	1

## Findings



### Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, 2, 3, 4, & 5	-
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	6	-

### Other Findings



Governance Framework - There are designated Health and Safety Coordinators within each service, who are responsible for providing a point of reference and disseminating information about health and safety.



Governance Framework - The Council has 20 first aid trained staff, who meet as a group on a quarterly basis to discuss any incidents, issues and training. A weekly schedule is maintained of which first aiders are in the building each day.



Risk Mitigation - A risk relating asset condition has been recorded on the Corporate Risk Register. This has a score of 6, as of May 2022, with mitigations recorded including asset condition surveys, compliance policies and compliance works being undertaken in a timely fashion. Progress with mitigating this risk is monitored through the corporate risk management process.



Compliance - Completed property inspections are recorded against the asset on the property management system. Any actions required to rectify defects arising from inspections are logged on the Property Services helpdesk so that they can be prioritised and followed up to completion.



Compliance - Accidents and incidents are reported to the Corporate Health and Safety team for review and investigation, in accordance with the Accident Reporting and Investigation Policy. All incidents are logged on the M3/Assure system, along with details of investigative work and outcomes.





### Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b> There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Not in place	-	OEM 1
S	<b>Sustainability</b> The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

### Other Findings



Resilience - The Council has designated fire wardens to monitor escape routes and equipment, and assist with evacuations. Temporary fire arrangements have been put in place due to hybrid working and there being fewer staff in the building. Under the new arrangements, staff use swipe cards to sign in and out of the building, so a record can be maintained. These arrangements are being reviewed to check that they are sufficient in the event of an evacuation. A weekly schedule of which first aiders are in the office is also maintained, to ensure that first aid is available if required.

### APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 1 April 2022 to 16 September 2022			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
<b>2019/20 Internal Audit Reviews</b>															
NN2004	S106 Agreements	Reasonable					4					4			
NN2005	Accountancy Services	Substantial						1				1			
NN2006	Accounts Receivable	Reasonable						2				2			
NN2009	Planning and Development	Reasonable					2					2			
NN2017	GIS Application	Reasonable		1	3		1					1			
<b>2020/21 Internal Audit Reviews</b>															
NN2107	Procurement Contract Management	Position Statement					2					2			
<b>2021/22 Internal Audit Reviews</b>															
NN2203	Performance Management, Corporate Policy and Business Planning	Reasonable						1				1			
NN2205	Project Management Framework	Reasonable			1							0			1
NN2201	Annual Governance Statement	Reasonable		1	2							0			
NN2209	Covid-19 Business Grants	Reasonable		2								0			
NN2210	Customer Services	Substantial									1	1			
NN2207	Accounts Receivable	Substantial						2				2			
NN2204	Counter Fraud and Corruption	Limited	1	1	1							0		3	
NN2206	Accountancy Services	Substantial									1	1			
NN2216	Change Control and Patch Management	Reasonable		2	3							0			
NN2212	Environmental Charter	Reasonable		1								0		1	3
NN2213	Waste Management	Reasonable									2	2		1	2
NN2202	Key Controls and Assurance	Reasonable									4	4			
NN2214	Environmental Health	Reasonable		1							1	1		1	2
NN2208	Income	Reasonable		2				1				1			
<b>2022/23 Internal Audit Reviews</b>															
NN2303	Corporate Health and Safety	Reasonable										0		1	5
<b>TOTALS</b>			<b>1</b>	<b>11</b>	<b>10</b>	<b>0</b>	<b>9</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>2</b>	<b>25</b>	<b>0</b>	<b>7</b>	<b>13</b>

## APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2004 S106 Agreements	Recommendation 1: Individual obligations and triggers from S106 agreements are recorded and monitored on a systematic basis, by a designated officer.	Important	Head of Planning	30/04/2020	30/09/2022	4	Outstanding	The Exacom project is now in progress and a project plan has been pulled together to incorporate the controls required to mitigate this risk. A go live date of September 2022 is expected.
NN2004 S106 Agreements	Recommendation 2: Deadlines for spending financial contributions be recorded with each sum received. Deadlines to be routinely monitored and decisions made in respect of the use of monies at agreed intervals prior to deadlines approaching, including the two cases found where the deadlines had passed.	Important	Head of Planning	30/04/2020	30/09/2022	4	Outstanding	Please see comment above.
NN2004 S106 Agreements	Recommendation 4: Parish and town councils are regularly informed of money from S106 agreements that is available for them to spend and be required to submit expenditure commitments within given deadlines, giving explanations for monies held for extended periods with no commitments, through a quarterly statement of existing and new receipts that is updated and returned to the Councils designated officer.	Important	Head of Planning	31/01/2020	30/09/2022	5	Outstanding	Please see comment above.
NN2004 S106 Agreements	Recommendation 5: The process for approving the expenditure of S106 funds and ensuring that it is in accordance with the agreement be formally agreed and consistently applied, with evidence retained.	Important	Head of Planning	31/01/2020	30/09/2022	5	Outstanding	Please see comment above.
NN2009 Planning and Development	Recommendation 2: Response time targets and fees for pre-application work be reviewed, to ensure that they enable good quality, timely responses to be provided to applicants.	Important	Head of Planning; Development Manager	31/10/2020	31/03/2023	5	Outstanding	This action needs to be informed by Questionnaire feedback and agreed actions under the Planning Service Improvement Plan.

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2009 Planning and Development	Recommendation 4: Monthly reconciliations of planning fee income be reinstated and subject to independent review.	Important	Head of Planning; Head of Finance	01/04/2020	31/01/2023	5	Outstanding	Pending software review to enable process.
NN2017 GIS Application	Recommendation 1: Management to ensure the GIS service is resourced appropriately according to workload to ensure that continued appropriate seamless support and resilience for the Cadcorp environment is put in place .	Important	ICT Applications Manager	01/05/2020	31/10/2022	6	Outstanding	Recruitment now underway for a GIS Support Officer to improve resilience and succession planning.

## APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2107 Procurement and Contract Management	That a pragmatic and feasible process for regular review of 'off contract' spend is agreed. Consideration to be given to including the contracts register, and mechanisms for automatically identifying 'off contract' payments within the scope of the new finance system.	Important	Chief Technical Accountant	30/09/2021	30/04/2023	4	Outstanding	This has been brought in-scope for the new Finance System that is due to be implemented by April 2023. The Procurement Officer is currently undertaking a review using a more manual process. Therefore, I suggest the due date be amended to April 2023. We will continue in the meantime with manual processes.
NN2107 Procurement and Contract Management	That Management review and update the Business Continuity Plan, and other relevant policies in light of the COVID response, including reference to review of contracts.	Important	Civil Contingencies Manager/ Director of Resources	31/08/2021	30/04/2023	2	Outstanding	This has been brought in-scope for the new Finance System that is due to be implemented by April 2023. The Procurement Officer is currently undertaking a review using a more manual process. We will continue in the meantime with manual processes.

## APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2213 Waste Management	Recommendation 1: Review and update the Inter Authority Agreement to ensure that it is clear in terms of managing relations between all three member Authorities to reflect the operational status of the contract. In particular, this should include agreement on the principles which underpin how the contract should be managed for the benefit of all of the Councils, and on mechanisms for resolving disagreements between the Authorities if they arise.	Important	Director of Communities	29/07/2022	31/01/2023	1	Outstanding	The updating of the Inter Authority Agreement (IAA) has been raised at Director level within the three Councils party to the contract. It has been agreed that the principles within the original IAA remain valid and that these should be updated to reflect the operational status of the contract. The physical updating of the IAA is yet to be completed as the Authorities have been focussed on the delivery of the Target Operating Model for collections and ensuring performance of the contract provisions.
NN2213 Waste Management	Recommendation 2: Obtain regular assurances that Serco complies fully with its complaints procedure and that there is audit trail to evidence this. Any non-compliances should be formally raised through the Operational Board meeting. A quarterly report should be made to the Contract Management Board by Serco along with details of corrective action taken.	Important	Environmental Services Manager	29/07/2022	30/11/2022	1	Outstanding	Compliance with the complaints procedure has been raised with Serco at the Contract Management Board. Discussions have also taken place at an operational level between the Environmental Services Manager and Serco's Operations Manager and we are waiting for evidence from Serco in respect of their compliance. The focus has been on managing performance of the contract given the busy summer season and the introduction of the Target Operating model for North Norfolk
NN2202 Key Controls and Assurance	Recommendation 1 - The daily Council tax and NNDR reconciliations be updated and independently reviewed and completed regularly thereafter.	Important	Group Accountant	29/07/2022	31/12/2022	1	Outstanding	NNDR and Council Tax Reconciliation work is still undertaken within the exchequer section. We continue to investigate where this best sits to ensure resilience moving forward.
NN2202 Key Controls and Assurance	Recommendation 2 - The monthly Council Tax and NNDR reconciliations be prepared promptly after month end.	Important	Group Accountant	29/07/2022	31/12/2022	1	Outstanding	This work is still currently being undertaken by the Exchequer section, although it is hoped that it can be transferred to System Admin in the longer term to ensure resilience. We have slipped the estimated completion date to December 2022 as we are currently working on the Finance system

Job	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
								implementation and anything sooner would be unrealistic.
NN2202 Key Controls and Assurance	Recommendation 4 – All monthly bank reconciliations to be completed and reviewed promptly at the end of each month.	Important	Group Accountant	29/07/2022	31/12/2022	1	Outstanding	As part of the new finance system implementation we are looking at how we can integrate the bank reconciliations process. This hopefully will offer a more robust alternative to our current process. Automating processes should also ensure that these reconciliations can be achieved more timely after the period end.
NN2202 Key Controls and Assurance	Recommendation 3 – North Norfolk DC to ensure it receives 40% of income from the issuing Penalty Charge Notice (PCN) as per the terms of the contract with Council of Kings Lynn & West Norfolk and this can be clearly evidenced.	Important	Group Accountant	25/05/2022	30/09/2023	1	Outstanding	At this time, we have no independent way of checking income generated from Penalty Charge Notices as they do not form part of the car park software. Looking into how we could independently verify this information is something that we would be prepared to do, however it is not something that we would have the capacity to take on in the short to medium term. Based on this, at this moment in time, the Council has to accept the associated risk.
NN2214 Environmental Health	Recommendation 2: The Council to ensure that all licence fee income has been correctly accounted for and that there is agreement between Assure and eFinancials.	Important	Environmental Services Manager and Public Protection & Commercial Manager	30/06/2022	31/12/2022	1	Outstanding	Northgate are still working on the solution. We are having regular meetings with them. A workaround has been developed as a temporary solution and resource is being utilised in this area to ensure that payments received correspond correctly with the data on our system. This is a national problem with the software and not just specific to NNDC.