

Eastern Internal Audit Services



North Norfolk District Council

Internal Audit Update – Progress and Follow Up

Period Covered: 17 September 2022 to 25 November 2022

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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 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

- 2.1 Since the plan's approval in March 2022, the NN2305 Accounts Payable audit has been deferred to 2023/24, as outlined in the September 2022 progress report. Since then, there has been additional changes as highlighted below:

Audit	Change
NN2304 – Risk Management	Risk Management audit has been deferred to 2023/24 to allow the newly appointed Director of Resources time to assess the risk management framework and feed into the scoping process.
NN2315 – Finance System Implementation	A position statement was originally planned to provide assurance over the management of the finance system implementation. The Head of Internal Audit is now providing advisory support to the project board ahead of go live currently scheduled for December 2022.

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 67 days of programmed work have now been completed, equating to 43% of the Internal Audit Plan for 2022/23.
- 3.3 The revised internal audit plan 2022/23 is on track for completion ahead of the Annual Head of Internal Audit opinion.

4. THE OUTCOMES ARISING FROM OUR WORK

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

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

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

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

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

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

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

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

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

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

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

Audit	Assurance	P1	P2	P3
NN2311 Pier Pavilion	Limited	4	3	1
NN2313 Building Control	Reasonable	0	1	2
NN2309 Legal Services	Substantial	0	0	0

The Executive Summary of these reports are attached at **Appendix 2 and exempt Appendix 7**, full copies of these reports can be requested by Members.

4.5 As can be seen in the table above and as a result of these audits 11 recommendations have been raised by Internal Audit. In addition, three Operational Effectiveness Matters have been proposed to management for consideration.

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. 11 recommendations have been closed in the period between 17 September and 25 November 2022. A total of 15 important and 10 needs attention priority recommendations are currently outstanding. A further 20 recommendations are not yet due.
- 5.5 At the request of the Committee at the last meeting, any recommendation deadlines that have been extended more than four times are highlighted in red.
- 5.6 **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	
Quarter 1											
Corporate Health and Safety	NN2303	10	10	10	Final report issued on 5 September 2022.	Reasonable	0	1	5	1	September 2022
TOTAL		10	10	10							
Quarter 2											
Pier Pavilion	NN2311	8	8	8	Final report issued on 18 November 2022.	Limited	4	3	1	2	December 2022
Building Control	NN2313	8	8	8	Final report issued on 17 October 2022.	Reasonable	0	1	2	1	December 2022
TOTAL		16	16	16							
Quarter 3											
Risk Management	NN2304	6	0	0	Audit Deferred to 2023/24.						
Accounts Payable (Insurance)	NN2305	12	0	0	Audit Deferred to 2023/24.						
Council Tax and NNDR	NN2306	15	15	12	Fieldwork underway.						
Local Council Tax Support and Housing Benefits	NN2307	15	15	10	Fieldwork underway.						
Legal Services	NN2309	10	10	10	Final report issued on 7 November 2022.	Substantial	0	0	0	0	December 2022
Property Services Operational	NN2310	10	10	1	APM issued 21 November 2022						
TOTAL		68	50	33							
Quarter 4											
Corporate Governance	NN2301	8	8	1	APM issued 22 November 2022						
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							
TOTAL		50	50	1							
IT Audits											
Applications review: Finance System Upgrade	NN2315	10	10	1	Support to project board commenced						
Disaster Recovery	NN2316	10	10	0							
TOTAL		20	20	1							
Follow Up											
Follow Up	N/A	10	10	6							
TOTAL		10	10	6							
TOTAL		174	156	67			4	5	8	4	
Percentage of plan completed				43%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Executive Summary – NN2313 Building Control

OVERALL ASSESSMENT
 <p>The diagram shows a central yellow circle labeled 'REASONABLE ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right is a legend with four colored bars: green for 'SUBSTANTIAL ASSURANCE', yellow for 'REASONABLE ASSURANCE', orange for 'LIMITED ASSURANCE', and red for 'NO ASSURANCE'.</p>
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE
<p>The audit has sought to provide assurance over the following key risk: "non-compliance with Building Control statutory requirements".</p>

SCOPE
<p>This audit was deferred from the 2020/21 plan to prioritise assurance on the Covid-19 Pandemic. Building Control was last reviewed in 2017/18. Our review was to provide assurance over policies and procedures including implications of the Building Safety Act 2022, plan checks, inspections, fees and income, and performance of the service.</p>

KEY STRATEGIC FINDINGS
<p> Plan checks and inspections are conducted in accordance with legislation and local procedures.</p>
<p> All plan approvals and completion certificates are approved by the Building Control Manager. However, this does not comply with the scheme of delegation.</p>
<p> Testing identified one case where the completion certificate was not issued for four months after job was complete and all evidence received.</p>
<p> There is no regular reconciliation of income between Building Control's records and Finance records.</p>
GOOD PRACTICE IDENTIFIED
<p> The Council offers a discount for paying inspection fees up front, which reduces the time and cost of invoicing and chasing unpaid fees.</p>
<p> The service is introducing tablets for surveyors to enable fully mobile and more efficient ways of working.</p>

ACTION POINTS			
Urgent	Important	Needs Attention	Operational
0	1	2	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	Governance Framework	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1	-
RM	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	2, & 3	-

Other Findings



Governance Framework - Information is provided on the Council's website about how to apply for building regulation approval, including advice on whether approval is needed, what type of application to submit and fees and charges for different application types. There is a web form for submitting applications along with information about applying through other means - the Planning Portal, email and post.



Governance Framework - Applications are validated on receipt by a Technical Officer, to check that the application form has been completed correctly, that any supporting documents have been included and that the correct fee has been paid. A validation check sheet is completed which shows the date the application was received and the date that it was valid.



Governance Framework - For full plans, there are two fees: a plan charge and an inspection charge. Only the plan charge is required at the plan checking stage, although applicants receive a discount of £25 if they also pay the inspection charge up front. For building notices and regularisation applications, there is a single fee which is payable at the time of the application.



Governance Framework - Building Control fees are currently being reviewed and updated to reflect changes in costs. The new hourly rate will be approximately £70 per hour (increased from £60) and the new fees are expected to be introduced from January 2023.



Governance Framework – There are procedures and practice notes to provide guidance on processes and using the system. Some of these have not yet been updated since the move to Uniform, but this work is ongoing, hence no recommendation has been raised.



Risk Mitigation - There are two risks relating to Building Control recorded on the service risk register, relating to retention and recruitment of staff, and statutory non-compliance, which has a score of 9 against a target of 9. Measures are in place to mitigate these risks and progress is reported on regularly through the Council's risk management system.



Compliance - All applications had been made using one of the standard application methods, either using the web form on the Council's website or completing and posting a paper form.



Compliance - Through testing, it was confirmed that completion certificates were only issued after the completion inspection had been undertaken, all paperwork received and the inspection fee received.



Compliance - Testing confirmed that applications are not considered valid and no work is done on them until the correct fee is received.







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	Performance Monitoring 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.	In place	-	1
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

-  Performance Monitoring - There are reports used internally for measuring validation timescales, surveyor checking times, and statutory determination dates, to ensure compliance with internal and statutory targets.
-  Sustainability - The service is moving to using tablets for recording inspections, which is likely to be fully operational by the end of 2022. This will reduce travel by enhancing remote working capabilities and reduce paper use as all documents will be stored electronically.
-  Resilience - Local Authority Building Control (LABC) is organising a new national training scheme for surveyors and the Council has created two new trainee posts within the team that they hope to recruit to through the national scheme, in order to improve resilience and alleviate recruitment challenges.
-  Resilience - Under the new Building Safety Act 2022 all surveyors will need to undertake regular formal assessment of competence. The Council has signed up to the LABC programme for its surveyors to be validated under the scheme, to ensure ongoing compliance with statutory requirements.

APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 17 September 2022 and 25 November 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													
2019/20 Internal Audit Reviews															
NN2004	S106 Agreements	Reasonable					4				4				
NN2005	Accountancy Services	Substantial			1						0				
NN2006	Accounts Receivable	Reasonable						2			2				
NN2009	Planning and Development	Reasonable					2				2				
NN2017	GIS Application	Reasonable					1				1				
2020/21 Internal Audit Reviews															
NN2107	Procurement Contract Management	Position Statement		1			1				1				
2021/22 Internal Audit Reviews															
NN2203	Performance Management, Corporate Policy and Business Planning	Reasonable						1			1				
NN2205	Project Management Framework	Reasonable			1						0				
NN2210	Customer Services	Substantial						1			1				
NN2207	Accounts Receivable	Substantial						2			2				
NN2204	Counter Fraud and Corruption	Limited									0		3		
NN2206	Accountancy Services	Substantial			1						0				
NN2212	Environmental Charter	Reasonable			1					1	1	2			1
NN2213	Waste Management	Reasonable			1		2			1	1	4			
NN2202	Key Controls and Assurance	Reasonable		2			2				2				
NN2214	Environmental Health	Reasonable		1	2		1				1				
NN2208	Income	Reasonable						1			1				
2022/23 Internal Audit Reviews															
NN2303	Corporate Health and Safety	Reasonable									0		1	5	
NN2313	Building Control	Reasonable								1	1		1	1	
NN2311	Pier Pavilion	Limited									0	4	3	1	
TOTALS			0	4	7	0	13	7	0	2	3	25	4	8	8

APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Audit	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	31/12/2022	5	Outstanding	Actions delayed by software provider delivering training, and confirmation of S106 Monitoring Officer funding.
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	31/01/2023	5	Outstanding	Actions delayed by software provider delivering training, data input requirements, and confirmation of S106 Monitoring Officer. Public facing launch no later than 5 December 2022.
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	6	Outstanding	Actions delayed by software provider delivering training, data input requirements, and confirmation of S106 Monitoring Officer. Public launch no later 5 December 2022.
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	31/12/2022	6	Outstanding	Actions delayed by software provider delivering training, data input requirements, and confirmation of S106 Monitoring Officer.
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	6	Outstanding	Planning Service Improvement Plan agreed draft recommendations at September O&S. Reporting outcomes on pre applications to January O&S.

Audit	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	31/12/2022	7	Outstanding	Recruitment in progress - applications received.

APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2020/21

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
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	31/03/2023	3	Outstanding	The update of the Corporate Business Continuity plan is ongoing but has been delayed by incident response coordination work (severe weather, Spring Tides, the death of HM Queen Elizabeth II, Avian influenza). The Corporate Business Continuity Plan needs input from the Business Impact Analysis of each team. The BIAs will be sent out in October, with the Corporate BC Plan going to GRAC on 7 March 2023, together with the accompanying Emergency Response Plan, ahead of the Cabinet meeting.

APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2212 Environmental Charter	Recommendation 1: Arrange reporting of progress and milestones to update and inform the public, Members and Corporate Leadership Team with progress on the delivery of Environmental Charter objectives.	Important	Climate and Environmental Policy Manager	31/10/2022	31/12/2022	1	Outstanding	In progress. NZSAP Board has been established and reporting schedule being established in conjunction with the CDU.
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	31/03/2023	2	Outstanding	Initial discussions have taken place between officers of the three Councils and Breckland Council are leading the development of the revised Inter Authority Agreement for later agreement.
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	31/12/2022	1	Outstanding	<p>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.</p> <p>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</p>
NN2213 Waste Management	Recommendation 3: Once the outcomes of the gap analysis have been agreed, an action plan to be put in place that is monitored regularly, to ensure that outstanding items are fully resolved.	Important	Authorised Officer through Contract Supervising Officer	30/09/2022	31/03/2023	1	Outstanding	Discussions have been held with Serco to determine the priority for the remaining items to be delivered or those which are no longer relevant to the contract. Timescales for delivery have been given to Serco for some high priority items for various dates up to end of the 22/23 financial year.

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
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 Borough 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. A conversation has been initiated between the Council and BKLWN.
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	A temporary resource has been brought in from July 22 to work through queries generated by a report to highlight differences between expected and received income. This process has been effective in recovering income due to the council. There remain issues with the Assure system generating correct reports/letter to licence holders and this continues to be pushed with the software provider for a resolution.