

Eastern Internal Audit Services



North Norfolk District Council

Internal Audit Update – Progress and Follow Up

Period Covered: 31 May 2023 to 31 August 2023

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

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards 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 2023, there have been no significant changes to the approved internal audit plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1**.
- 3.2 In summary, 28 out of 171 days of programmed work have been completed, equating to 16% of the Internal Audit Plan for 2023/24.

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, no reports have been issued by Internal Audit. There has been a delay in starting the 2023/24 plan, due to delays in finalising the 2022/23 plan. However, the NN2412 Land Charges report has been issued in draft and is currently awaiting a management response.

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. Seven recommendations have been closed in the period between 31 May 2023 to 31 August 2023. A total of 19 (eight important and 11 needs attention priority) recommendations are currently outstanding. A further 20 recommendations are not yet due.
- 5.5 **Appendix 4, 5, 6 and 7** 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											
Land Charges	NN2412	12	12	12	Draft report issued 29 August 2023						
TOTAL		12	12	12							
Quarter 2											
Procurement and Contract Management	NN2404	15	15	8	Fieldwork underway.						
TOTAL		15	15	8							
Quarter 3											
Risk Management	NN2401	5	5	0							
Complaints and FOIs	NN2402	12	12	0							
Accountancy Services	NN2405	16	16	0							
Accounts Payable	NN2406	10	10	0							
Accounts Receivable	NN2407	10	10	0							
Income	NN2408	8	8	0							
Civil Contingencies and Business Continuity	NN2411	12	12	0							
TOTAL		73	73	0							
Quarter 4											
Key Controls and Assurance	NN2403	15	15	0							
Housing Strategy, Homelessness and Housing Options	NN2409	12	12	0							
Coastal Management	NN2410	12	12	0							
Property Services - Operational	NN2413	12	12	0							
TOTAL		51	51	0							
IT Audits											
Service Desk	NN2414	10	10	0							
Post-Implementation Finance System Review	NN2415	5	5	4	Fieldwork concluding.						
TOTAL		15	15	4							
Follow Up											
Follow Up	N/A	10	10	4							
TOTAL		10	10	4							
TOTAL		176	176	28			0	0	0	0	
Percentage of plan completed				16%							

APPENDIX 2 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 31 May 2023 to 31 August 2023			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																
NN2006	Accounts Receivable	Reasonable						2				2				
NN2009	Planning and Development	Reasonable					1					1				
2020/21 Internal Audit Reviews																
NN2107	Procurement Contract Management	Position Statement					1					1				
2021/22 Internal Audit Reviews																
NN2207	Accounts Receivable	Substantial						2				2				
NN2204	Counter Fraud and Corruption	Limited		1								0				
NN2213	Waste Management	Reasonable					2					2				
NN2202	Key Controls and Assurance	Reasonable					2					2				
NN2214	Environmental Health	Reasonable					1					1				
NN2208	Income	Reasonable			1							0				
2022/23 Internal Audit Reviews																
NN2303	Corporate Health and Safety	Reasonable					1	5				6				
NN2313	Building Control	Reasonable						1				1				
NN2301	Corporate Governance	Substantial			1			1				1				
NN2306	Council Tax and NNDR	Substantial										0			1	
NN2314	Development Management	Reasonable										0				1
NN2316	Disaster Recovery	Reasonable			1							0		1	2	
NN2308	Payroll and HR	Substantial			2							0				1
NN2311	Pier Pavilion	Limited	1									0				
NN2302	Key Controls and Assurance	Limited										0	6	7	1	
TOTALS			1	1	5	0	8	11	0	0	0	19	6	8	6	

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
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	30/09/2023	7	Outstanding	PSIP process for pre-applications has been delayed and will take place in Autumn 2023. Expect completion with new pre-app service in spring 2024.

APPENDIX 4 – 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	31/12/2023	5	Outstanding	Progress on this task has been delayed due to sickness absence. The Corporate Business Continuity plan is being fully revised. It uses some data from the Business Impact Analyses in each service area. The majority of the Business Impact Analysis documents sent to service managers in May 2023 have been returned and these have been internally audited. Some BIAs are still outstanding and there are some changes to NNDC-Critical activities that need to be agreed with senior managers. The Corporate Business Continuity plan will go to GRAC in December 2023.

APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2021/22

Audit	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	30/11/2023	4	Outstanding	<p>The initial drafting of the revised Inter-Authority Agreement (IAA) has been completed by officers at Breckland Council and shared with the Borough Council of King's Lynn and West Norfolk and North Norfolk District Council for comments or agreement. Eastlaw have been asked to provide a view on the IAA as drafted, with a response expected in the near future. Once agreement is reached at an officer level then the route to adopt across all three councils will be agreed.</p> <p>Given the complexity of agreeing a tri-district document it is suggested that a realistic completion date for the adoption of the IAA is 30th November 2023.</p>
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	31/10/2023	3	Outstanding	<p>Performance of the customer contact centre is now covered at the Contract Management Board meetings and this has seen an improvement in outcomes over the last few months.</p> <p>With a high workload and turnover within the team, it has not been possible to further implement a complaint monitoring system as had been intended, to ensure that all complaints passed to Serco are dealt with appropriately. It is hoped this will be progressed within the next few months, however, will be dependent upon resources and workloads.</p>
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	30/09/2023	3	Outstanding	<p>The team are still looking at undertaking bank reconciliations within the new Financial Management System (FMS). As a temporary measure some reconciliations are being done monthly (manually).</p>

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
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 BCKLWN.
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	N/A	2	Outstanding	No response provided.

APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2022/23

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2303 Corporate Health and Safety	An inspection programme be developed and put in place for all types of inspections, including regularity, to enable monitoring of what has been completed and what is due.	Important	Assistant Director Resources	31/12/2022	30/09/2023	1	Outstanding	The Compliance Officer post has been recruited and is compiling the schedule of risk critical inspection works and progressing them as required. Work is in progress to configure the asset management system "Concerto" to support improved scheduling and reporting. A temporary change of lead management is under consideration due to a staff sickness absence. This will be progressed once this has been resolved.