

Eastern Internal Audit Services



North Norfolk District Council

Internal Audit Update – Progress and Follow Up

Period Covered: 1 September to 30th November 2023

Responsible Officer: Teresa Sharman – 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, 72 out of 176 days of programmed work have been completed, equating to 41% 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 Internal Audit has issued two reports: -

Audit	Assurance	P1	P2	P3
NN2412 Land Charges	Limited	2	3	7
NN2404 Procurement and Contract Management	Reasonable	0	3	3

4.5 The Executive Summaries of these reports are attached at **Appendix 2**, full copies of the reports can be requested by Members.

4.6 As can be seen in the table above and as a result of these audits 18 recommendations have been raised by Internal Audit. In addition, four Operational Effectiveness Matters have been raised for management’s 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. A total of 50 recommendations are currently being monitored of which 29 are outstanding. Twenty-one recommendations are not yet due for completion. Of the 29 which

are outstanding, five are classified as a 'urgent priority', eight as an 'important priority' and 16 as 'needs attention'.

5.5 **Appendices 4, 5, 6, 7 and 8** 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 2023/24

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	Final report issued 28 September 2023	Limited	2	3	7	3	Dec 23
TOTAL		12	12	12							
Quarter 2											
Procurement and Contract Management	NN2404	15	15	15	Final report issued 14 November 2023	Reasonable	0	3	3	1	Dec 23
TOTAL		15	15	15							
Quarter 3											
Risk Management	NN2401	5	5	0	Moved to Q4.						
Complaints and FOIs	NN2402	12	12	10	Draft issued 23 November 2023						
Accountancy Services	NN2405	16	16	1	APM to be drafted.						
Accounts Payable	NN2406	10	10	8	APM issued on 19 October 23. Fieldwork in progress.						
Accounts Receivable	NN2407	10	10	2	APM issued on 17 October 23. Fieldwork start date still to be agreed.						
Income	NN2408	8	8	2	APM issued on 17 October 23. Fieldwork start date still to be agreed.						
Civil Contingencies and Business Continuity	NN2411	12	12	8	APM issued on 8 September 23. Fieldwork in progress.						
TOTAL		73	73	31							
Quarter 4											
Key Controls and Assurance	NN2403	15	15	0							
Housing Strategy, Homelessness and Housing O	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	6	APM issued 19 October 2023. Fieldwork in progress.						
Post-Implementation Finance System Review	NN2415	5	5	4	Draft issued on 26 September 2023. Responses being chased.	Limited	3	2	0	0	
TOTAL		15	15	10							
Follow Up											
Follow Up	N/A	10	10	4							
TOTAL		10	10	4							
TOTAL		176	176	72			5	8	10	4	
Percentage of plan completed				41%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES 2023/24

Executive Summary – NN2412 Land Charges





OVERALL ASSESSMENT




ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

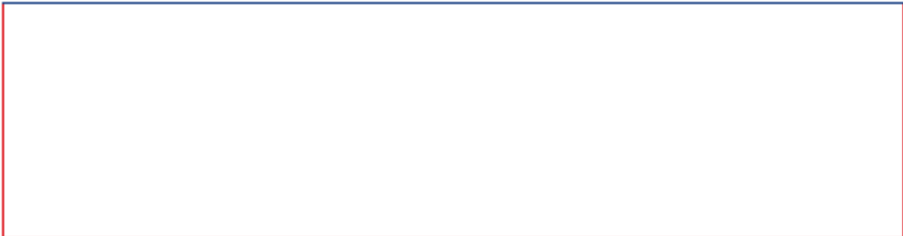
The audit has sought to provide assurance over the following key risks: “Delays with or inaccurate transfer of data to Land Registry and loss of income”.

KEY STRATEGIC FINDINGS

-  Sample testing on land charge searches indicated that invoices had not been raised for April 2023 onwards, thus, increasing the risk of irrecoverable debts and financial loss to the Council.
-  Income reconciliations between searches recorded on the Total Land Charges (TLC) system and financial reports, are not independently checked and signed off. Reconciliations to the General Ledger have not been conducted since January 2018.
-  The Council is currently in the first phase of the transfer of responsibility for land charge searches to Land Registry. An initial meeting between the Council and Land Registry took place on 23rd May 2023, with a further meeting held on 18th July 2023 to discuss potential IT input, and legal agreements. The Council remains on track with the current timeline with the legal team in the process of reviewing the collaboration contract, and the next stage being to undertake IT connectivity checks in preparation for transferring the sample dataset.
-  For both land charge alterations and land charge searches it was noted that no independent checks are in place to provide assurance of accuracy.

GOOD PRACTICE IDENTIFIED

-  The Council intends to implement a payment on submission process; a pre-payment, in which only card payments will be accepted, thus streamlining the process and mitigating financial risks that have been highlighted in this report, including the risk of arrears, when implemented.



SCOPE

This area had not been audited since 2017/18. The service must transfer to Land Registry in next two years. This audit sought to provide assurance that actions are progressing to ensure the accuracy of the local land charge register prior to its transfer to the Land Registry. The audit has evaluated the process for additions, amendments and deletions and has provided assurance on the management of income.



The service currently utilises a team plan to identify tasks which require undertaking or may need completing in the future and ensures a focus on completion of the required actions within a specified timeframe.

ACTION POINTS

Urgent	Important	Needs attention	Operational
2	3	7	3


OVERALL ASSESSMENT





ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE


The audit has sought to provide assurance over the following key risk: "Financial loss and reputational risks due to poor procurement, not achieving value for money and not complying with procurement legislation".

KEY STRATEGIC FINDINGS

- 


There is a need to ensure the most up to date version of the Contracts register is published quarterly on the Council's website and complies with the requirements of the Local Government Transparency Code 2015.
- 

Transactions over £15k are reviewed on an annual basis, in order to: ensure a contract is in place; reduce the threshold and to look at cumulative spend, rather than individual transaction amounts; provide improved control over compliance with Contract Procedure Rules (CPRs) and the requirement to publish all contracts with a value greater £5k.
- 

Testing confirmed that procurements were being processed in accordance with Contract Procedure Rules (CPRs) and other procurement regulations, however appropriate evidence should be retained of who made the decision to award. Minor improvements have been raised to strengthen the CPRs.
- 

Exemptions are justified, documented, formally approved and reported quarterly to the Governance, Risk and Audit Committee. Contracts appearing in the Contracts Register which are nearing expiration are regularly reviewed and action taken accordingly.

GOOD PRACTICE IDENTIFIED

- 

The sustainability score in tender evaluations has been raised from 5% to 10% to support the Council's Environmental Charter and objective to reach net zero carbon emissions by 2030.

SCOPE

Strategic risks have been raised relating to contract failure and poor procurement. An assurance audit in this area has not been carried out since 2019/20. This audit has evaluated compliance with the Council's Contract Standing Orders and the Public Contract Regulations 2015.

ACTION POINTS

Urgent	Important	Needs Attention	Operational
0	3	3	1

APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

Audit Year	Audit Name	1	2	3	Total Outstanding as at 30/11/23
2019/20	- Planning Applications and Development Management		1		1
	Total		1		1
2020/21	Procurement Contract Management		1		1
	Total		1		1
2021/22	Accounts Receivable			2	2
	Environmental Health		1		1
	Key Controls and Assurance		2		2
	Waste Management		2		2
	Total		5	2	7
2022/23	Building Control			1	1
	Corporate Health and Safety			5	5
	Council Tax and National Non-Domestic Rates			1	1
	Development Management includes planning applications			1	1
	ICT-Disaster Recovery			2	2
	Key Controls and Assurance	4			4
	Total	4		10	14
2023/24	Land Charges	1	1	3	5
	Procurement and Contract Management			1	1
	Total	1	1	4	6
Total	5	8	16	29	

The following audits in the table above were assigned a 'limited' overall assurance opinion: -

- 2022/23 - Key Controls and Assurance

The following audits in the table above were assigned a 'substantial' overall assurance opinion: -

- 2022/23 – Council Tax and National Non-Domestic Rates
- 2012/22 - Accounts Receivable

The other audits listed in the table above were assigned an overall opinion of 'reasonable'.

There are further 21 recommendations which are not yet due for completion as detailed in the table below: -

Audit Year	Audit Name	1	2	3
☐ 2022/23	ICT-Disaster Recovery		1	
	Key Controls and Assurance		7	1
	Total		8	1
☐ 2023/24	Land Charges	1	2	4
	Procurement and Contract Management		3	2
	Total	1	5	6
Total	1	13	7	

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
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	31/3/24	8	Outstanding	Review taking place as part of Planning Service Improvement Plan, which will be completed by the end of the 23/24 financial year. A review of the system has started, following discussions with Portfolio Holder and Applicants and Agents Forum.

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	31/12/2023	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 6 – 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	31/12/2023	5	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>The revised Inter Authority Agreement has been subject to comments from the respective legal departments of the Authorities. This feedback is being incorporated into a final draft which will be taken through the relevant committee processes by each constituent Council.</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 – now extended to end of Dec 23..</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	31/3/2024	4	Outstanding	<p>Performance within the Serco customer contact centre has continued to see improvements. The high workload and staff shortages within the team over the last few months has meant it has not yet been possible to further implement a complaint monitoring system as had been intended. With the team now back to full strength, it is hoped this will be progressed within the next few months. Due date has therefore been updated to end March 2024.</p>

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	31/12/2023	4	Outstanding	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).
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	N/A	25/5/2022	30/9/2023	-	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 except 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	31/3/2024	3	Outstanding	The recommendation is not yet complete. We have made further progress with establishing a new system for managing licensing fee income due and reconciling this information between the Licensing database and finance systems. It is anticipated that this system will be implemented by November for all 'new' annual fees due from that point. We have contacted licence holders with potentially outstanding historical fees and requested that either payment is made or evidence of historic payment is provided (to account for income received that was not able to be reconciled with a specific licence holder in the database). There is still further work to be completed on both aspects of this recommendation but anticipate this will be completed by March 2024. As noted in previous updates, this is a resource intensive exercise and will require additional staffing support to enable completion within the timescales suggested.

APPENDIX 7 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2022/23

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2302 Key Controls and Assurance	Management to ensure that all Bank Accounts are promptly reconciled each month, including retrospective reconciliations for those still outstanding. Risk: Imbalances / errors between the bank and the Council's records in the Council's may not be promptly identified and investigated.	Urgent	Director for Resources	31/10/2023	N/A	0	Outstanding	No updated response provided
NN2302 Key Controls and Assurance	Management to ensure that monthly reconciliations of Council Tax and NNDR revenues to the General Ledger for the period since implementation of the new Finance system, are undertaken as soon as practically possible. Reconciliations to be completed promptly (within a month of the month-end), thereafter.	Urgent	Director for Resources	31/10/2023	N/A	0	Outstanding	No updated response provided
NN2302 Key Controls and Assurance	Management should ensure that:- all investments made are appropriately authorised; - reconciliations of Treasury records to GL are subject to independent, evidenced, reviews.	Urgent	Director for Resources	31/10/2023	N/A	0	Outstanding	No updated response provided
NN2302 Key Controls and Assurance	Ensure that a process is put in place to ensure that controls for independently confirming amendments to supplier details are made consistently and with supporting evidence retained. System notes should include the details of who performed the check	Urgent	Director for Resources	31/10/2023	N/A	0	Outstanding	No updated response provided

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
	and the sources used e.g. internet search, telephone number stored on the finance system, use of original details for setting up the supplier.							
NN2314 Development Management includes planning applications	A reconciliation of planning fee income to be undertaken between the planning system and finance system. Risk: Without a reconciliation, there is a greater risk of income not being received or being misallocated.	Important	Assistant Director and the Planning Manager & Development Manager	20/3/2023	N/A	N/A	No longer appropriate	Recommendation not agreed. Management comments: The Assistant Director and the Planning Manager would question whether the priority grading of this action has been over-stated at 2 'Important'. Whilst there is not an 'automatic' reconciliation process in place, manual reconciliation reviews are in place and this significantly diminishes the risk. A priority grading of 3 'Needs Attention' would seem more appropriate and proportionate for this action. Audit Comment - Due to both the planning system and the finance system being new we strongly recommend that at least one reconciliation is undertaken for fee income. Thereafter if no errors are identified the team may take the decision to rely on regular manual reconciliation controls.

APPENDIX 8 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2023/24

Audit	Recommendation	Priority	Responsible Officer	Due Date	Revised Due Date	Number of times revised	Status	Latest Response
NN2412 Land Charges	Reconciliation between the Crystal report and card / BACS payments to be uploaded to the Council's systems, along with supporting evidence and be subject to independent review. Under no circumstances should copies of reconciliations or supporting evidence, be retained off site.	Urgent	Team Leader	31/10/2023	N/A	0	Outstanding	No updated response provided
NN2412 Land Charges	All additions, amendments and deletions to the local land charge register be independently checked and verified for completeness and accuracy.	Important	Team Leader	31/11/2023	N/A	0	Outstanding	No updated response provided