

PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 1 APRIL 2019 TO 29 AUGUST 2019

Summary: This report examines the progress made between 1 April 2019 to 29 August 2019 in relation to delivery of the Annual Internal Audit Plan for 2019/20.

Conclusions: Progress in relation to delivery of the internal audit plan is line with expectations; and positive assurance has been awarded in the audit reviews finalised in this period.

Recommendations: It is recommended that the Committee notes the outcomes of the assurance audit completed between 1 April 2019 to 29 August 2019.

Cabinet member(s): All
Ward(s) affected: All

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1. Background

1.1 This report reflects progress made regarding assignments featuring in the approved Annual Internal Audit Plan for 2019/20 which was endorsed by the Audit Committee on 26 March 2019.

2. Overall Position

2.1 The overall position in relation to the completion of the Internal Audit Plan is within the attached report.

3. Conclusion

3.1 The completion of the Internal Audit Plan is line with expectations; and positive assurances have been awarded in the audit review finalised in this period.

4. Recommendation

4.1 It is recommended that the Committee note the outcomes of the assurance audit completed between 1 April 2019 to 29 August 2019.

Appendices attached to this report:

Progress Report on Internal Audit Activity

Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 1 April to 29 August 2019

Responsible Officer: Faye Haywood – Internal Audit Manager 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 also require 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. The frequency of reporting and the specific content are for the Authority to determine.
- 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 those audits; and
 - Performance to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 26 March 2019 the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since the last Committee meeting no significant changes have been made to the 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** and progress to date is in line with expectations.
- 3.2 In summary 26 days of programmed work has been completed, equating to 14% of the Internal Audit Plan for 2019/20.

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, and 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 included in the follow up process.

4.4 During the period covered by the report one Internal Audit report has been issued.

Audit	Assurance	P1	P2	P3
Car Parking	Reasonable	0	3	3

The Executive Summary of this report is attached at **Appendix 2**, a full copy can be requested by Members.

4.5 As can be seen in the table above as a result of this audit 6 recommendations have been raised and agreed by management.

4.7 It is pleasing to note that this audit concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

4.8 In addition a to the assurance work carried out above, a position statement was completed in relation to project management. A number of suggested improvements were raised which have been accepted by management. Details of these improvements are included within the Executive Summary at **Appendix 2** of this report.

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.

5.2 There are individual requirements for performance in relation to each measure; however, performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.

- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is red or amber, a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

- 5.3 Q1 of the 2019/20 internal audit plan has now been completed and a report on performance provided to the Internal Audit Manager, performance is currently at green status with targets having been satisfactorily met.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. No concerns have been raised.


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											
Car Parking	NN2008	10	10	10	Final report issued 8 July 2019	Reasonable	0	3	3	0	Sep-19
Project Mangement	NN2001	6	6	6	Final position statement issued 15 August 2019						Sep-19
TOTAL		16	16	16							
Quarter 2											
Coastal Management	NN2002	10	10	5	Audit started: 21 August 2019 Draft report due: 24 September 2019.						
Section 106 Agreements	NN2004	10	10	5	Audit started 9 July 2019. Report due 5 September 2019.						
TOTAL		30	30	10							
Quarter 3											
Accountancy Services	NN2005	16	16	0							
Accounts Recievable	NN2006	10	10	0							
Income	NN2007	7	7	0							
Planning Application and Development Management	NN2009	10	10	0							
TOTAL		43	43	0							
Quarter 4											
Leisure	NN2003	10	10	0							
Risk Management	NN2010	6	6	0							
Key Controls and Assurance	NN2011	15	15	0							
Procurement	NN2012	10	10	0							
Property Services	NN2013	12	12	0							
Affordable Housing and Housing Enabling	NN2014	10	10	0							
TOTAL		63	63	0							
IT Audits											
Business Continuity	NN2015	10	10	0							
Cyber Security	NN2016	10	10	0							
IT Audit Area - Yet to be determined	NN2017	10	10	0							
TOTAL		20	20	0							
Follow Up											
Follow Up	NA	10	10	0							
TOTAL		10	10	0							
TOTAL		182	182	26			0	3	3	0	
Percentage of plan completed				14%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of the Car Parking Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT	ACTION POINTS																									
 <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, four horizontal bars represent assurance levels: 'SUBSTANTIAL ASSURANCE' (green), 'REASONABLE ASSURANCE' (yellow), 'LIMITED ASSURANCE' (orange), and 'NO ASSURANCE' (red).</p>	<table border="1"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Cash collection</td> <td>0</td> <td>2</td> <td>1</td> <td>0</td> </tr> <tr> <td>Season tickets</td> <td>0</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td>Shared service arrangements</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>3</td> <td>3</td> <td>0</td> </tr> </tbody> </table> <p>No recommendations were raised in relation to enforcement.</p>	Control Area	Urgent	Important	Needs Attention	Operational	Cash collection	0	2	1	0	Season tickets	0	1	1	0	Shared service arrangements	0	0	1	0	Total	0	3	3	0
Control Area	Urgent	Important	Needs Attention	Operational																						
Cash collection	0	2	1	0																						
Season tickets	0	1	1	0																						
Shared service arrangements	0	0	1	0																						
Total	0	3	3	0																						
<p>SCOPE</p> <p>This area is periodically reviewed to provide assurance that income is being effectively managed and that the Council is managing the enforcement agreement with the Borough Council of King’s Lynn and West Norfolk (BCKLWN) effectively.</p>																										

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Car Parking (NN/18/11) also concluded in a 'Reasonable' assurance opinion, indicating that there is no change in the level of control. The number of recommendations has also remained the same, albeit different control issues have arisen.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- A Service Level Agreement is in place between NNDC and BCKLWN which clearly sets out the responsibilities of each party, to ensure that all necessary tasks are completed.
- Income for each day as recorded by the car park ticket machines is reconciled to amounts collected, to ensure that the Council is receiving the correct amount from BCKLWN.
- Season tickets are only issued on receipt of the correct payment, to ensure that all season ticket income is received.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where three 'important' recommendations have been made.

Cash collection

- Differences in monthly income reports for mobile app payments compared with actual income be queried with BCKLWN to ensure that the correct amount has been received.
- Contractual arrangements for emergency repairs be reviewed and followed, to prevent the Council paying for repairs that are covered by the contract.

Season tickets

- Regular stock takes for season tickets be carried out, to reduce the risk of stock going missing.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Cash collection

- The Council requests the source data for mobile app payments be provided on a monthly basis, to reduce the risk of incorrect amounts being received.

Season tickets

- Monthly season ticket reconciliations be signed and dated by both officers, to reduce the risk of a single officer being responsible for the whole process.

Shared service arrangements

- The frequency of contract meetings be reviewed, to ensure that it remains appropriate for the contract.

Operational Effectiveness Matters

No Operational Effectiveness Matters have been raised.

Previous audit recommendations

The previous audit of Car Parking (NN/18/11) concluded in a 'Reasonable' assurance opinion, having raised three 'important' and two 'needs attention' recommendations. Two of these recommendations, relating to obtaining information from BCKLWN about penalty charge notices and updating the Off-Street Car Parking Guidelines, were outstanding at the beginning of this audit. Both have now been confirmed as complete as a result of work undertaken during this audit.

Other points noted

In March 2019, a difference of over £3k was identified in the reconciliation between cash collected by BCKLWN and income recorded by the machines themselves. This was due to some collections (from two specific machines) not being recorded on the Parkeon system. The issue has been referred to Parkeon but has not been resolved as yet.

Position Statement – Project Management

Executive Summary

INTRODUCTION

1. This review was carried out in May and June 2019 as part of the planned internal audit work for 2019/20. The Council has a number key strategic projects ongoing at present, led by various departments within the Council.

Refer to Materiality section below for the two projects selected for scrutiny as part of this review.

SCOPE

2. The objective of the review was to highlight any possible areas for improvement and provide a 'position statement' to the senior management of the Council on the outcomes of the review, as outlined above. The review considered the project management framework, project initiation, monitoring of ongoing projects, finances, risk and post-project reviews.

MATERIALITY

3. The Council has several major projects currently underway, with total budgets amounting to several million pounds. The two projects tested in detail within this audit were the Cromer Sports Hub and the Digital Transformation Programme, which have budgets of £2.95m and £2.5m respectively.

KEY FINDINGS

4. Outcomes of the review are detailed in the table below.

AUDIT OBSERVATIONS

5. The audit has concluded with a number of suggested actions / improvements presented to management for consideration. These will help management to work towards ensuring that projects are approved and managed in a consistent and robust manner.

Key suggested actions / improvements include:

- Develop and implement a formal process for selecting which proposed projects should go ahead.
- Update the Guide to Project Management to reflect current practices.
- Ensure consistency of documentation and record keeping for all projects, using a central database.
- Regular updates to senior management on project progress to be provided, including details of issues arising and remedial actions required.

- Initial project proposals and business cases to make reference to how the project will help to achieve the objectives in the Corporate Plan.
- Ensure that funding is formally confirmed and in place for all projects prior to approval and commencement
- Funding requests to Cabinet/Council should be robust and have input from Finance
- Initial risk assessments be completed consistently between projects, using a standard template and methodology.
- Risk assessments are subject to regular review and update including those in respect of the DTP projects.
- Project objectives and milestones are defined at the beginning of the project and progress against these is regularly reported on.
- Post-implementation reviews to be completed for all major projects