

Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 13 March 2020 to 4 June 2020

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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 in March 2020 there has been no further changes made to the revised 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 182 days of programmed work has been completed, equating to 100% of the agreed Internal Audit Plan for 2019/20. An additional 10 days have also been completed at the request of the Governance Risk and Audit Committee. A total of 192 days has been delivered.
- 3.3 Due to the impact of the Coronavirus Pandemic we have been unable to finalise four draft reports in time for this committee. We have however provided the Executive Summary of each report and indicated overall gradings.

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 two final and four draft Internal Audit reports have been issued to management for their consideration;

Audit	Assurance	P1	P2	P3
Leisure	Substantial	0	0	1
Risk Management DRAFT	Reasonable	0	2	0
Key Controls and Assurance DRAFT	Substantial	0	0	1
Procurement	Reasonable	0	2	1
Property Services DRAFT	Reasonable	0	5	2
Business Continuity DRAFT	Reasonable	0	1	5

The Executive Summary of these reports are 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 these audits 20 recommendations have been raised and agreed by management.

4.6 It is pleasing to note that these audits 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.

4.7 A total of 3 operational effectiveness matters have been raised for management consideration.

4.8 In addition to the assurance work carried out above, a position statement was completed in the area of Egmore at the request of the Committee. Four 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 amber or red 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 Quarter four of the 2019/20 Internal Audit plan has now been completed and a report on the performance measures 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	10	Final report issued 8 October 2019	Substantial	0	0	0	0	Dec-19
Section 106 Agreements	NN2004	10	10	10	Final report issued 12 November 2019	Reasonable	0	5	0	0	Dec-19
TOTAL		20	20	20							
Quarter 3											
Sheringham Leisure Centre (addition)	NN2018	0	5	5	Final position statement issued 4 February 2020						March 20
Accountancy Services	NN2005	16	16	16	Final report issued 25 February 2020	Substantial	0	0	3	0	March 20
Accounts Receivable	NN2006	10	10	10	Final Report issued 17 December 2019	Reasonable	0	1	2	0	March 20
Income	NN2007	7	7	7	Final report issued 2 March 2020	Reasonable	0	0	5	1	March 20
Planning Application and Development Management	NN2009	10	10	10	Final report issued 4 February 2020	Reasonable	0	4	1	0	March 20
Egmore (addition)	NN2019	0	5	5	Final position statement issued 13 March 2020						Jun-20
TOTAL		43	53	53							
Quarter 4											
Leisure	NN2003	10	10	10	Final report issued 3 June 2020	Substantial	0	0	1	0	June 20
Risk Management	NN2010	6	6	6	Draft report issued 14 April 2020	Reasonable	0	2	0	1	June 20
Key Controls and Assurance	NN2011	15	15	15	Draft report issued 25 March 2020	Substantial	0	0	1	0	June 20
Procurement	NN2012	10	10	10	Final report issued 4 June 2020	Reasonable	0	2	1	0	June 20
Property Services	NN2013	12	12	12	Draft report issued 2 March 2020	Reasonable	0	5	2	0	June 20
Affordable Housing and Housing Enabling	NN2014	10	10	10	Final report issued 11 March 2020	Reasonable	0	1	0	0	March 20
TOTAL		63	63	63							
IT Audits											
Business Continuity	NN2015	10	10	10	Draft report issued 14 April 2020	Reasonable	0	1	5	2	June 20
Cyber Security	NN2016	10	10	10	Final report issued 11 December 2019	Reasonable	0	2	2	8	March 20
GIS Application	NN2017	10	10	10	Final report issued 17 February 2020	Reasonable	0	3	5	3	March 20
TOTAL		30	30	30							
Follow Up											
Follow Up	NA	10	10	10							
TOTAL		10	10	10							
TOTAL		182	192	192			0	29	31	15	
Percentage of plan completed				100%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Position Statement – Egmere Project

Executive Summary

INTRODUCTION

1. This review was carried out in December 2019, as an addition to the audit plan on request of the Chair of the Governance, Risk and Audit Committee. Following the issue of a previous audit report in August 2019, detailing the outcomes of a review on the Council's Project Management arrangements (NN/20/01), it was requested that two further projects were subject to audit scrutiny; this is the second of those two reviews, the first being Sheringham Leisure Centre (NN/20/18). This review relates to the potential development opportunity at a site situated north of Edgar Road, Egmere. At the Cabinet meeting held on 15th August 2019 a report was provided recommending that Cabinet cease the current scheme and that any unallocated funds are made available for alternative capital projects and this recommendation was approved.

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 initial information that was provided to Members at the time that the project was approved, the budget of the project and the effectiveness of the governance arrangements.

MATERIALITY

3. The report to Cabinet on 23rd September 2019 reported on the financial position, stating that spend to date on the project had been circa £180k, with a net cost to the Council of £85k after Norfolk Business Rates Pool (NBRP) contributions. In December 2019, the Estates and Asset Strategy Manager provided updated information for the audit showing a total cost of £175k, less £94k funding, leaving a total cost to the Council of £84k. It was clarified that these costs do not include recharges for Council staff time.

KEY FINDINGS

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

AUDIT OBSERVATIONS

5. The audit has concluded that there is evidence in place demonstrating ongoing governance, including regular reporting to Cabinet, and reviews from external consultants BE Group in both 2015 and 2019. The benefits, risks and financial implications were reviewed at each stage and reported to Members for consideration. As it was decided in August 2019 not to proceed with the scheme, a formal project was not started to develop the site. Reasons for the project not proceeding included rapid changes in the renewable energy sector, an inability to attract tenants at such an early stage, time taken to agree a potential

lease with the land owner, and ultimately withdrawal of the proposed anchor tenant. A review of documentation found regular communication with the potential anchor tenant, who confirmed continuing interest as late as February 2019 before withdrawing interest in June 2019.

Findings from the review are detailed below. There is one new Suggested Action / Improvement for management to consider, which builds on those Suggested Actions / Improvements raised in the Project Management audit report NN/20/01, in particular, for project boards to include officers with the requisite skills, including representation from Finance and Legal Services, from the outset if deemed appropriate.

Other issues have been identified in this project, which have previously been identified in relation to the Council's project management overall. These include ineffective governance arrangements, lack of input from areas such as finance, legal into project appraisal, and project objectives and milestones not being adequately defined or reported on. See the previous audit report on Project Management (NN/20/01) for details and recommended actions. Where appropriate, actions from that report have been restated in the 'Findings' section of this report, in particular:

- Initial risk assessments be completed consistently between projects, using a standard template and methodology.
- Project objectives and milestones be defined at the beginning of the project and progress against these is regularly reported on.
- Regular updates to senior management on project progress to be provided, including details of issues arising and remedial actions required.

Assurance Review of the Leisure Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Contract Monitoring	0	0	1	0
Total	0	0	1	0

No recommendations have been raised in respect of performance measures, monitoring and outcomes or reporting.

SCOPE

A review of Leisure Services was carried out to support the Head of Internal Audit Opinion, to consider the effectiveness of controls surrounding leisure services.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous audit report on Leisure (NN/16/01) concluded in a 'Reasonable' assurance opinion, with five 'important' and three 'needs attention' recommendations being raised. This shows a positive direction of travel. However, the previous audit is not directly comparable with this one as the scope was not identical.
- Due to the ceasing of audit activity during the Coronavirus pandemic, it was not possible for audit to hold a formal debrief with the Leisure and Localities Service Manager prior to issue of this draft report, as is normal practice.

POSITIVE FINDINGS

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

- The Council has an Indoor Leisure Facilities Strategy, which incorporates relative priorities, timescales overall capital budget costs. Timescales includes longer term projects up to 2026. The new leisure centre was based on the back of this strategy and supported £1m funding from Sport England.
- The contract with the provider, Sports and Leisure Management Ltd, includes the process for monitoring, managing and reporting on the agreement, including performance outcomes/targets, making reference to an Annual Service Report.
- The Annual Service Report performance monitoring states that for the first year a base will be set, with formal monitoring being developed for implementation against this base and performance adjustment payments from year two.
- The contractor is paid based on performance, i.e. under the Payment and Performance Monitoring System, where financial penalties are incurred in relation to performance failures. There are also a number of KPIs included on the outcomes scorecard but this will not be monitored until 2020/21.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'needs attention' recommendation has been made.

Contract Monitoring

- The minutes of the contractor meetings are summarised, as such there are elements that would need enhancing, such as inclusion of the participants of the meeting, this would reduce the risk of contractual requirements not being met and not identified within the quarterly contract meetings.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit of Leisure and Pier Pavilion was completed in July 2015, with five 'important' and three 'needs attention' recommendations being raised. These recommendations have been confirmed as implemented.

Other points to note

The indoor leisure contract has been in place since April 2019, which includes a service specification for performance standards and performance failures in respect of various elements of the service. The performance monitoring system for the contract in the first year is for setting a base by which to monitor the service, with the monitoring and compliance commencing from 1st April 2020. It was confirmed that a performance scored card has been devised, setting out qualitative and quantitative measures to monitor, however the actual performance against those measures could not be included within the testing.

Due to the coronavirus outbreak the signed copy of the contract, which is held separately to the service area, could not be evidenced.

Assurance Review of the Risk Management Arrangements

DRAFT Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Risk Policy	0	2	0	1
Total	0	2	0	1

No recommendations have been raised in respect of risk registers or management and monitoring of risk.

SCOPE

A review of risk management was carried out to support the Head of Internal Audit Opinion. This audit aimed to provide assurance that significant risks are being identified and managed by the Council to support the achievement of strategic priorities.

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 two 'important' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets 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.
- The previous audit report on Risk Management (NN/18/14) concluded in a 'Substantial' assurance opinion, with two 'needs attention' recommendations being raised. This indicates a negative direction of travel. However, the previous audit is not directly comparable with this one as the scope was not identical, and the overall assurance level remains positive.
- Due to the ceasing of audit activity during the Coronavirus pandemic, it was not possible for audit to hold a formal debrief with the Head of Finance and Asset Management prior to issue of this draft report, as is normal practice.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

- The Council's risk appetite has been defined following consultation with Members, in accordance with best practice, and will be reflected in the new Risk Management Framework. This will ensure that only projects and activities which have an acceptable level of risk are approved and that risks over the agreed appetite are monitored and appropriately mitigated.

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

- Changes to the Corporate Risk Register and the Risk Management Framework have been discussed by Strategic Leadership Team and Governance, Risk and Audit Committee (GRAC). The new Risk Management Framework was scheduled to be approved by GRAC on 24th March 2020. This meeting will be rescheduled due to the impact of the Coronavirus pandemic, to ensure that senior management and Members have overall responsibility for risk management within the Council.
- The Corporate Risk Register is reviewed quarterly by Strategic Leadership Team and at every meeting of the Governance, Risk and Audit Committee, to ensure management oversight of key risks.

- The Council is in the process of implementing a new performance management system, InPhase, which includes risk management, to ensure that risks are updated regularly and that managers have effective oversight of risks for which they are responsible.

ISSUES TO BE ADDRESSED

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

Risk Policy

- A process for escalating and de-escalating risks be defined in the Risk Management Framework, to reduce the risk that resources are not focused on the most significant risks facing the Council.
- The risk appetite section of the Risk Management Framework be expanded to explain how the narrative statements of risk appetite link to risk scores. This will reduce the risk of risk that are outside of the appetite not being appropriately mitigated.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Consideration be given to defining impact scores individually for each of the categories of risk, in order to make these more relevant and help guide officers on what level of risk is acceptable.

Previous audit recommendations

The previous audit of Risk Management was completed in March 2018, with two 'needs attention' recommendations being raised. Both of these have been confirmed as implemented.

Other points to note

This audit included a review of a draft new version of the Risk Management Framework and comments on its contents. It is noted that this has not been formally approved or implemented yet.

It was not possible to test how risks are managed in line with risk appetite as this has not yet been included on the risk registers.

The Council is in the process of implementing a new performance and risk management system, InPhase. Based on the testing during the audit, this appears to be fit for purpose, but it was not possible to thoroughly review the effectiveness of the system as it not yet fully operational.

A review of Project Management (NN/20/01) earlier in 2019/20 identified that risk assessments for projects are not completed in a consistent manner, and an action to address this was raised in that report.

Assurance Review of Key Controls

DRAFT Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
All areas	0	0	1	0
Total	0	0	1	0

No recommendations have been made in the specific areas of Council Tax and NNDR, Housing Benefit, Accounts Payable and Payroll.

SCOPE

The objective of the audit was to review the key controls operating within the systems and controls identified, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous audit report, issued in March, also concluded in a 'Substantial' assurance opinion, with no recommendations being raised, indicating that whilst the overall assurance level is unchanged since the previous audit, there is movement within the key financial areas.

KEY FINDINGS

Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by internal audit each year, in order to support the Annual Governance Statement (AGS) and the Head of Internal Audit's Annual Report and Opinion.

Under the agreed internal audit plan for 2019/20 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- Accounts Receivable (NN/20/06);
- Accountancy Services (general ledger, control accounts, asset management, treasury management and budgetary control) (NN/20/05); and
- Income (NN/20/07)

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2019/20 have been reviewed as part of this audit. The areas to which this applies are:

- Accounts Payable;
- Payroll;
- Housing Benefit and Council Tax Support; and
- Council Tax and National Non-Domestic Rates.

During the internal audit of the above areas within this review, the audit has highlighted the following areas where one 'needs attention' recommendation has been made.

All areas

- The Council's authorised signatory list be reviewed and updated as necessary, to reduce the risk of officers acting outside of their delegated powers.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Assurance Framework

A review of the assurance framework within the Council was also undertaken as part of the internal audit review. This focused on the structure of the assurance statements, responsibility for completion, evidence retained, the mechanism for incorporating information into the Annual Governance Statement (AGS), senior officer and member review of the AGS and subsequent review and monitoring of action plans. The assurance statements and AGS for 2018/19 were reviewed as the 2019/20 versions have not yet been completed.

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

- The 2018/19 AGS refers to the fact that Heads of Service completed assurance statements that feed into the assurance framework, highlighting the governance issues that need to be addressed.
- The AGS includes an action plan to address governance issues identified, with actions having responsible officers and deadlines for completion.
- The AGS for 2018/19 was reviewed and approved by the Governance, Risk and Audit Committee in June 2019.

Previous audit recommendations

No recommendations were raised in the previous audit of Key Controls (NN/19/11).

During 2019/20 key controls were also tested as part of the full reviews of Accountancy Services, Accounts Receivable and Income. Three recommendations relating to key controls were made within the Accountancy Services, specifically relating to consistency in budget monitoring, authorisation of virements and access to the fixed asset register. Two recommendations were made in relation to key controls within the Accounts Receivable audit, specifically about the authorisation of credit notes and monitoring of aged debt. No recommendations relating to key controls were made in the Income audit.

Other points to note

During the audit, it was identified that housing benefit reconciliations were not being signed off or independently reviewed, following staff changes within the Benefits team. This control has since been reinstated and all of the reconciliations for 2019/20 have been retrospectively reviewed. As such, no recommendation has been raised.

Assurance Review of the Procurement Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Strategies, policies and procedures	0	0	1	0
Maintenance of the contracts register	0	1	0	0
Exemptions	0	1	0	0
Total	0	2	1	0

No recommendations have been raised in respect of compliance with Contract Procedure Rules.

SCOPE

A medium risk has been raised in the corporate risk register in relation to obtaining value for money from contracts. The Procurement Strategy is in the process of being reviewed and our work will focus on whether recent contracts have been awarded in line with procedures and relevant legislation.

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 one 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Procurement (NN/18/16) also concluded in a 'Reasonable' assurance opinion, with four 'important' and three 'needs attention' recommendations being raised. This indicates that there has been a slight improvement in the control environment.
- Due to the Coronavirus pandemic and the fact that this audit was conducted remotely, it was not possible to view any hard copy documents, in particular to confirm that signed and sealed contracts were held by the Council. As such, no assurance is provided on the effectiveness of these controls and the overall assurance opinion is provided with this caveat.
- Due to the ceasing of audit activity during the Coronavirus pandemic, it was not possible for audit to hold a formal debrief with the Head of Finance and Asset Management and Procurement Officer prior to issue of this draft report, as is normal practice.

POSITIVE FINDINGS

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

- The Council offers e-procurement, through the Delta e-sourcing system, as required by the Public Contract Regulations 2015.
- The Council publishes its contract register on its website on a quarterly basis, to ensure transparency around contracting.
- Procurement processes are conducted in accordance with Contract Procedure Rules, to ensure that the Council obtains value for money in procurement.

ISSUES TO BE ADDRESSED

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

Maintenance of the contracts register

- Analysis be undertaken to identify aggregated spend, including off-contract spend for suppliers where aggregated spend in year exceeds procurement thresholds and ensure contracts are in place and adherence to the Contract Procedures Rules. This will reduce the risk that correct procurement processes are not applied, are over the original contract and that value for money is not achieved.

Exemptions

- All exemptions, including signed forms, be recorded and retained in a central location, to reduce the risk of exemptions being used inappropriately or not being documented correctly.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Strategies, policies and procedures

- The Contract Procedure Rules in the Council's Constitution be updated to the latest version, to reduce the risk of outdated practices being followed.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit report on Procurement (NN/18/16) was issued in April 2018 and concluded in a 'Reasonable' assurance opinion, with four 'important' and three 'needs attention' recommendations being raised. Six of these recommendations have been confirmed as implemented through Internal Audit's cyclical follow up checks.

Assurance Review of Property Services

DRAFT Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Lease renewals, rent, re-letting and rental arrears	0	2	2	0
Maintenance and insurance	0	2	0	0
Asset reconciliation	0	1	0	0
Total	0	5	2	0

No recommendations have been raised in respect of strategies, policies and procedures or asset valuation.

SCOPE

A medium risk has been raised in the corporate risk register in relation to the condition of property assets and the Asset Management Plan is due to be refreshed in the first half of 2019/20. Our review therefore provides assurance that assets are being well managed in respect of legal obligations, carrying out repairs and maintenance and spend monitoring.

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 five 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit report on Property Services (NN/17/08) was issued in October 2016 and concluded in a 'Substantial' assurance opinion, with no recommendations raised. It is noted that the scope of that audit was significantly different from this audit.

POSITIVE FINDINGS

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

- Acquisitions and disposals are made in accordance with the Asset Management Plan and are appropriately authorised, to ensure that they help to achieve the Council's objectives.
- The Council has an inspection programme covering all of its assets, to ensure that issues such as safety, condition and encroachment are identified and resolved in a timely manner.
- Rent arrears for commercial properties are recovered in accordance with the Council's standard debt recovery procedures, to ensure that arrears are recovered consistently and promptly.
- All of the Council's property assets are insured, to ensure that the Council does not suffer significant financial loss in the event of damage to property.
- Assets are regularly revalued on a five year rolling programme, to ensure that values stated in the Council's accounts are accurate.

ISSUES TO BE ADDRESSED

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

Lease renewals, rent, re-letting and rental arrears

- The process by which invoices for leases and licences are raised be reviewed, to reduce the risk that income due to the Council is not received.
- Signed copies of lease and licence agreements be retained, to reduce the risk of dispute over the terms.

Maintenance and insurance

- Regular condition surveys of Council assets be undertaken, to reduce the risk that the Council is unable to maintain them in good condition effectively and efficiently.
- Planned maintenance programmes be developed for Council assets, to reduce the risk that the Council only undertakes repairs reactively and is unable to maintain assets in good condition.

Asset reconciliations

- Acquisitions and disposals recorded in the fixed asset register be reconciled to Concerto, to reduce the risk of incorrect information being recorded.

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

Lease renewals, rent, re-letting and rental arrears

- The concession sites offered by the Council be reviewed and actively marketed, to reduce the risk of potential income not being generated.
- A policy on the use of deposits for commercial properties be clearly defined, to reduce the risk of inconsistent use.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

No recommendations were raised in the previous audit of Property Services (NN/17/08). Therefore there are no outstanding recommendations relating to any of the areas within the scope of this audit.

Other points to note

The Council's current Asset Management Plan was approved in 2018. However, due to changes in the Council's corporate priorities, parts of it require updating. As the Council's new corporate plan and delivery plan have now been approved, a new version of the Asset Management Plan is being produced and is expected to be approved in 2020.

Assurance Review of Business Continuity and Disaster Recovery

DRAFT Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Adequacy of DR Provision	0	1	1	0
DR Testing	0	0	1	0
DR Development for New Systems	0	0	1	0
Continuous Improvement	0	0	0	1
Fakenham Physical Access Controls	0	0	2	1
Total	0	1	5	2

No recommendations were made in the areas of Backup and Recovery Capabilities, Alignment with Business Continuity Plan and 3rd Party Management

SCOPE

A medium risk has been raised in the corporate risk register in relation to the continuation of service delivery in the event of an incident. A Resilience Officer has also recently been appointed and reviews of all Business Continuity Plans are now underway. Our review has focussed on providing assurance that the Council's current Disaster Recovery arrangements can support Business Continuity requirements and expectations.

RATIONALE

- The systems and processes of internal control are, overall deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'Important' and five 'Needs Attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'Operational Effectiveness Matters', which sets 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.
- Due to the ceasing of audit activity during the Coronavirus pandemic, it was not possible for audit to obtain answers to all outstanding queries nor to hold a formal debrief with the Networks Manager and Technical Support Officer prior to issue of this draft report, as is normal practice.
- The aforementioned and findings to date have been considered when providing the overall assurance opinion.

POSITIVE FINDINGS

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

- The Council has a documented Business Continuity ("BC") plan that includes a list of priority systems and a list of services that are less of a priority. The plans, including local service plans will be undergoing a root and branch review later in 2020.
- There is a defined procedure for requesting emergency funding for any purpose included within the Council's Business Continuity plans.
- There is some evidence of Disaster Recovery ("DR") testing having taken place, specifically the 'black' test conducted in late 2017 where the Cromer machine room was shut down to test the ability to recovery from Fakenham. The test was found to have been documented in a test report.
- At the Council's Governance Risk and Audit Committee meeting on Tuesday 3 December 2019, questions were raised about the completion of the Disaster Recovery/ Business Continuity incident action plan that was presented to Full Council in September 2019. The action plan was created following an IT disruption in June 2019. The audit reviewed the latest version of the action plan dated March 2020, which noted that there has been progress made with the actions contained within the action plan, with current status updates being present in actions that require them. These include updates related to why actions are late for delivery.
- The voice and data network is managed using network switches that are supported by UPS devices. The UPS devices keep the network (including voice) running for as long as the UPS batteries last - two hours on average. Not all of the building has UPS coverage. However, laptops can still be used on their batteries as the network will also still be available.
- The Fakenham Connect DR facility was found to be locked when visited during the fieldwork. There is a key code lock on the main entrance to the facility, whose code is changed periodically by local staff.
- The primary data centre in Cromer and the DR facility in Fakenham were noted as having adequate environmental controls to protect against fire, electrical and water damage.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'Important' recommendation has been made.

Adequacy of DR Provision

- There is a need to ensure that the "Procedures for DR" documentation is reviewed and updated following the planned IT infrastructure upgrade to reduce the risk of not being able to adequately support the recovery of key Council systems following an incident.

The audit has also highlighted the following areas where five 'Needs Attention' recommendations have been made.

Adequacy of DR Provision

- There is a need to ensure that offline copies of the "Procedures for DR" document are kept to reduce the risk of not being able to support the timely recovery of priority Council systems and services following incident where the network is not available.

DR Testing

- There is a need to document and implement an appropriate IT DR test plan to reduce the risk that the service cannot adequately support the recovery of key Council systems following an incident.

DR Development for New Systems

- At the time of writing, it was not possible to verify that the Council's Project/ Programme Management Framework includes reference to the need for DR support to be considered when implementing new, or significantly changed, systems. Hence, a recommendation on this has been raised.

Fakenham Physical Access Controls

- There is a need to work with the Borough Council of Kings Lynn and West Norfolk to ensure that the available CCTV facility installed in the Fakenham DR suite by Kings Lynn is kept active or to install separate CCTV facilities that the Council has control over. This is to reduce the risk of inappropriate or unauthorised access to the DR suite.
- There is a need to ensure that a new appointment for servicing the Uninterruptible Power Supply ("UPS") systems is arranged as soon as possible to reduce the risk of failure of that control system.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Consideration to be given to the inclusion of a version history within the "Procedures for DR" document in order to demonstrate the review history of the document.
- Consideration to be given to setting up a visitor log to record all visits to the Fakenham DR facility.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which none remain outstanding.