

Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 21 September 2021 to 29 November 2021

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 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 audits; and
 - Performance to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 No significant changes have been made to the plan since its approval on 15th June 2021.

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 71 days of programmed work has now been completed, equating to 42% of the Internal Audit Plan for 2021/22.

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 Internal Audit reports have been finalised.

Audit	Assurance	P1	P2	P3
Performance Management, Corporate Policy and Business Planning	Reasonable	0	0	4
Income	Reasonable	0	2	1

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

4.5 As can be seen in the table above as a result of these audits seven recommendations have been raised and agreed by management.

4.6 In addition one operational effectiveness matter has been raised for management consideration.

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which TIAA is 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 TIAA and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

5.3 Delays have been experienced in completing and finalising quarter two work with the contractor being subject to resourcing and sickness difficulties. Quarter three work is now back on track however, progress against delivering the plan of work is being carefully managed with the contractor to ensure that resources are sufficient to complete the plan of work.


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 2											
Performance Management, Corporate Policy and Business Planning	NN2203	10	10	10	Final report issued on 11 October 2021.	Reasonable	0	0	4	0	December 2021
Counter Fraud and Corruption	NN2204	8	8	7	Draft report issued 25 November 2021.						
Income	NN2208	7	7	7	Final report issued on 4 October 2021.	Reasonable	0	2	1	1	December 2021
COVID-19 Business Grants	NN2209	8	8	6	Fieldwork complete. Draft report being prepared.						
Environmental Health	NN2214	12	12	11	Draft report issued on 4 November 2021.						
TOTAL		45	45	41							
Quarter 3											
Annual Governance Statement	NN2201	8	8	4	Audit Planning Memorandum issued on 8 September 2021. Fieldwork underway.						
Project Management Framework	NN2205	8	8	4	Audit Planning Memorandum issued on 3 November 2021. Fieldwork underway.						
Accountancy Services	NN2206	16	16	6	Audit Planning Memorandum issued on 4 November 2021. Fieldwork underway.						
Accounts Receivable	NN2207	10	10	8	Audit Planning Memorandum issued on 21 September 2021. Fieldwork complete, draft report being prepared.						
Customer Services	NN2210	10	10	1	Audit Planning Memorandum issued on 9 November 2021. Fieldwork begins December.						
TOTAL		52	52	23							
Quarter 4											
Key Controls and Assurance	NN2201	15	15	0							
Waste Management	NN2213	10	10	0							
Economic Growth	NN2211	10	10	0							
Environmental Charter	NN2212	8	8	0							
TOTAL		43	43	0							
IT Audits											
Information Management	NN2015	10	10	0	Quarter 4						
Change Control and Patch Management	NN2016	10	10	0	Quarter 4						
TOTAL		20	20	0							
Follow Up											
Follow Up	N/A	10	10	7							
TOTAL		10	10	7							
TOTAL		170	170	71			0	2	5	1	
Percentage of plan completed				42%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Performance Management, Corporate Policy and Business Planning

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p>  <p>The diagram shows a large yellow circle labeled 'REASONABLE ASSURANCE' with a blue border containing the text 'Adequate & effective governance, risk and control processes'. To the right are four horizontal bars representing assurance levels: 'SUBSTANTIAL ASSURANCE' (green), 'REASONABLE ASSURANCE' (yellow), 'LIMITED ASSURANCE' (orange), and 'NO ASSURANCE' (red).</p>	<p>ACTION POINTS</p> <table border="1" data-bbox="1153 558 2004 774"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Performance management</td> <td>0</td> <td>0</td> <td>4</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>0</td> <td>4</td> <td>0</td> </tr> </tbody> </table> <p>No recommendations have been raised in respect of Corporate Plan and Delivery Plan, Business Planning or Use of InPhase.</p>	Control Area	Urgent	Important	Needs Attention	Operational	Performance management	0	0	4	0	Total	0	0	4	0
Control Area	Urgent	Important	Needs Attention	Operational												
Performance management	0	0	4	0												
Total	0	0	4	0												
<p>SCOPE</p> <p>Due to the significance of the Covid-19 Pandemic, the Corporate Plan for the Council has been reviewed taking lessons learnt, new ways of working and changes to local needs into account. Our review will provide assurance that the new strategy reflects the environment, that reliable information has been used to inform the process, that risks to delivery have been considered and that performance measures have been revised that are achievable yet challenging. This review will be undertaken consortium-wide to draw on similarities and good practice where relevant.</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 four 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Performance Management (NN/18/01), issued in June 2017, concluded in a 'Substantial' assurance opinion, with three 'needs attention' recommendations being raised, indicating that the level of control has reduced slightly.

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 has a public performance portal that is linked to its performance system, so that members of the public can view how the Council is performing in achieving its objectives.

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

- The Corporate Plan and Delivery Plan were reviewed in light of Covid-19 and a set of priority objectives was selected, to ensure that resources were focused in key areas.
- All actions and performance measures are recorded on the Council's performance management system, InPhase, and assigned to an owner, to ensure that all data is accessible in one place and that responsibilities for maintaining it are clear.
- A performance report, containing updates on progress against Delivery Plan actions and performance against indicators, is presented to Cabinet and Overview and Scrutiny Committee on a quarterly basis, to ensure that Members are aware of and can challenge the Council's performance in key areas.
- All users of InPhase have received training on using the system, to ensure that all actions, performance measures and risks are updated consistently across all services.
- The Corporate Plan and Delivery Plan were reviewed in light of Covid-19 and a set of priority objectives was selected, to ensure that resources were focused in key areas.

ISSUES TO BE ADDRESSED

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

Performance Management

- The Performance Management Framework be updated to reflect current arrangements, to reduce the risk of outdated processes being followed.
- Completed actions be removed from the quarterly performance reports once they have been reported as complete, so that the focus is on actions which remain outstanding. This was implemented subsequent to completion of audit testing. No further action required.
- Commentary be provided against all amber indicators in the quarterly performance reports, to reduce the risk of underperformance not being addressed.
- Data on the public performance portal be updated on a monthly basis, to reduce the risk of outdated information being reported. This was implemented subsequent to completion of audit testing. No further action required.

Previous audit recommendations

The previous internal audit report on Performance Management (NN/18/01) was issued in June 2017 with a 'Substantial' assurance opinion. Three 'needs attention' recommendations were raised, all of which have been confirmed as implemented.


Other points noted

Service plans were not updated for 2021/22. A comprehensive business planning process is currently ongoing so that service plans will be updated to cover the period from October 2021 to March 2023. Workshops have been conducted with managers during June and July and managers have been provided with template documents to complete. The draft service plans will be reviewed by Assistant Directors at the end of August and will receive final sign off by the relevant Director and Portfolio Holder by the end of September. As part of this process, performance measures and targets will be reviewed to ensure that they are appropriate. Risks that may affect the delivery of objectives will also be captured, as there should be clear links between the Council's risk registers and its objectives.

In the quarter four 2020/21 performance report, several performance measures did not have targets set. Managers have received reminders and guidance on how to do this, to ensure that a target has been set for all measures that need one, by the quarter two performance reporting deadline.

Assurance Review of the Income Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #2c5e8c; color: white;"> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Policies and Procedures</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> </tr> <tr> <td> Receiving</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td> Banking</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td> Reconciling Income</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr style="font-weight: bold;"> <td>Total</td> <td>0</td> <td>2</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>No recommendations have been raised in relation to physical security, receiving and posting of income.</p>	Control Area	Urgent	Important	Needs Attention	Operational	Policies and Procedures	0	0	0	1	Receiving	0	1	0	0	Banking	0	0	1	0	Reconciling Income	0	1	0	0	Total	0	2	1	1
Control Area	Urgent	Important	Needs Attention	Operational																											
Policies and Procedures	0	0	0	1																											
Receiving	0	1	0	0																											
Banking	0	0	1	0																											
Reconciling Income	0	1	0	0																											
Total	0	2	1	1																											
<p>SCOPE</p> <p>These key financial systems feed into the Statement of Accounts and requires periodic full service reviews to confirm the adequacy and effectiveness of controls in these areas.</p>																															

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 two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Income (NN2207) concluded in a 'Reasonable' assurance opinion having raised five 'needs attention' recommendations, thereby indicating no change in the direction of travel.

POSITIVE FINDINGS

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

Receipting

- Cash and cheque receipting was shown to be detailed with audit trails present for all income sources.

Income

- Daily exemption and reconciliation reporting for all income was shown to be comprehensive and well documented with strong compliance to controls.

ISSUES TO BE ADDRESSED

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

Receipting

- Banking to be undertaken when amounts held reach agreed amounts, with regular banking scheduled in advance.

Reconciling Income

- All monthly bank reconciliations should be completed and reviewed promptly at the end of each month.

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

Banking

- The council's Business Continuity Management document with the banking contingency plans should be reviewed annually to ensure it is reflective of current practise and up to date.

Operational Effectiveness Matters

- Consideration to be given to the inclusion of a 'Ways to pay' page being set up on the councils website detailing all accepted payment methods.

Previous audit recommendations

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