

Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 30 November 2021 to 25 February 2022

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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 Since the Internal Audit Plan approval of 15th June 2021, there has been one significant change. The audit of NN2211 Economic Growth has been deferred to the 2022-23 plan at the request of management to allow for more time to progress the preparation of a new strategy incorporating lessons from the impact of Covid-19 and due to delays faced from administering grants. The plan overall has been reduced by 10 days as a result of this change.

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 124 days of programmed work has now been completed, equating to 78% 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, four Internal Audit reports have been finalised.

Audit	Assurance	P1	P2	P3
Accounts Receivable	Substantial	0	0	2
Customer Services	Substantial	0	0	3
Project Management Framework	Reasonable	0	4	7
Annual Governance Statement	Reasonable	0	1	3
Covid-19 Business Grants	Reasonable	0	4	0
Environmental Health	Reasonable	0	3	2
Accountancy Services	Substantial	0	0	1

The Executive Summaries 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 26 recommendations have been raised and agreed by management.

4.6 In addition five operational effectiveness matter has been raised for management consideration, one in regard to the Customer Services audit and four in relation to the Annual Governance Statement audit.

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 Progress against delivering the plan of work is starting to recover from resourcing difficulties experienced in quarters two and three. The Head of Internal Audit continues to work closely with the contractor to ensure that resources are sufficient to complete the plan of work in time for year end.

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	8	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	8	Final report issued on 14 February 2022.	Reasonable	0	4	0	0	March 2022
Environmental Health	NN2214	12	12	12	Final report issued on 17 January 2022.	Reasonable	0	3	2	0	March 2022
TOTAL		45	45	45							
Quarter 3											
Annual Governance Statement	NN2201	8	8	8	Final report issued on 9 February 2022.	Reasonable	0	1	3	4	March 2022
Project Management Framework	NN2205	8	8	8	Final report issued on 8 February 2022.	Reasonable	0	4	7	0	March 2022
Accountancy Services	NN2206	16	16	16	Final report issued on 23 February 2022.	Substantial	0	0	1	0	March 2022
Accounts Receivable	NN2207	10	10	10	Final report issued on 22 December 2021.	Substantial	0	0	2	0	March 2022
Customer Services	NN2210	10	10	10	Final report issued on 27 January 2022.	Substantial	0	0	3	1	March 2022
TOTAL		52	52	52							
Quarter 4											
Key Controls and Assurance	NN2201	15	15	5	Fieldwork underway.						
Waste Management	NN2213	10	10	5	Fieldwork nearing completion.						
Economic Growth	NN2211	10	0	0	Deferred to 2022-23.						
Environmental Charter	NN2212	8	8	6	Fieldwork complete. Draft report in preparation.						
TOTAL		43	33	16							
IT Audits											
Information Management	NN2015	10	10	1	Audit Planning Memorandum in preparation.						
Change Control and Patch Management	NN2016	10	10	1	Audit Planning Memorandum in preparation.						
TOTAL		20	20	2							
Follow Up											
Follow Up	N/A	10	10	9							
TOTAL		10	10	9							
TOTAL		170	160	124			0	14	23	6	
Percentage of plan completed				78%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of the NN/22/07 Accounts Receivable

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures & security of the system	0	0	1	0
Raising of sundry debtors	0	0	0	0
Credits, refunds and transfer	0	0	0	0
Recovery and write off of outstanding debt	0	0	1	0
Total	0	0	2	0

SCOPE

The audit reviewed the systems and controls in place within Accounts Receivable, to confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous report on Accounts Receivable and Income (NN2006), was issued in December 2019 with a 'Reasonable' assurance having raised one important and two needs attention recommendations. Therefore there has been a slight improvement in the direction of travel with the control environment.

POSITIVE FINDINGS

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

Raising of sundry debtors

- Invoices are raised within seven working days of receipt of request and for the correct amount and to correct payee as per requisition/supporting documentation, thereby ensuring valid and accurate payments are raised.

Credits, refunds and transfer

- All refunds were authorised in accordance with the authorised signatories list and processed in a timely manner. The reasons for the refunds were documented. This helps ensure only genuine refunds are processed.
- Testing identified that credit notes were appropriately evidenced and accurately raised against the initial request. The reasoning and rationale for credit was recorded and raised in a timely appropriate manner. This helps ensure only genuine credit notes are processed.

Recovery and write off of outstanding debt

- Testing of a sample of individual debts that have passed the automatic recovery stages established correct recovery actions has been applied, thereby ensuring measures to recover debts through manual intervention are consistently applied.

- Accounts on hold are regularly monitored with the stage of recovery recorded in line with laid down procedure. This ensures recovery action is only put on hold where necessary and is not left longer than necessary. Testing of instalment payments established that agreed plans were being adhered to, thereby ensuring recovery of these debts was ongoing.
- Write offs were found to be in accordance with delegated levels of authority and approved after all attempts at recovery had been exhausted. The first batch of write offs was authorised by the Director of Finance and the second by the Chief Technical Accountant. This helps ensure only legitimate write offs are actioned.

ISSUES TO BE ADDRESSED

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

Policies and Procedures & security of the system

- Supporting procedural notes for debt recovery to be reviewed and updated, where necessary, to help ensure consistent practices are applied regarding debt recovery.

Recovery and write off of outstanding debt

- That the financial reporting schedule be complied with to confirm that the requisite supporting financial reports used in the recovery of sundry debts have been produced and continue to be so, on a regular basis.

Operational Effectiveness Matters

There were no operational effectiveness matter identified.

Previous audit recommendations

The previous report on Accounts Receivable and Income (NN2006), was issued in December 2019 with a 'Reasonable' assurance having raised one important and two needs attention recommendations all of which have since been confirmed as implemented within the audit cyclical follow up process.

Assurance Review of NN/22/10 Customer Services

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Performance management	0	0	2	1
Training	0	0	1	0
Total	0	0	3	1

No recommendations have been raised in respect of policies and procedures or call handling.

SCOPE

The Council has committed to improving customer access and customer service standards in its Corporate Plan. This work will involve setting a Customer Charter and Engagement Strategy. The audit evaluated progress against commitments in this area, accessibility of services to customers and ensuring that the reporting of performance in this area is adequate.

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 three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out a matter 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.
- This area has not been subject to previous audit scrutiny, hence no direction of travel is applicable.

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 Customer Services team is working with other services to develop Service Level Definitions, to define what Customer Services can do for the service and vice versa.
- With effect from 1st October 2021, the Council registered with the Institute of Customer Service, an independent professional membership body for customer services. The first piece of work being undertaken is an internal staff survey on customer service and contact throughout the Council.
- The Council has offered video chat appointments since December 2021, providing an additional way for customers to contact the Council without the need to come into the office.

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

- Staff have access to a Microsoft OneNote file of procedures and notes, to enable the majority of customer queries to be answered by the Customer Services team.
- The number of menu options on the Council's main phone number has been reduced, in order to reduce queue times for customers.
- Performance data is collected and monitored on a regular basis, to ensure that any areas of weak performance are addressed.

- Bookings for face-to-face appointments and video chats can be made on the Council's website, so that customers can choose a time that suits them.

ISSUES TO BE ADDRESSED

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

Performance management

- Customer surveys be reinstated in some form to obtain feedback on the service.
- Performance reports to management and Members be expanded to include key measures such as wait times and abandonment rates.

Training

- A record of training received by each officer and training needs be maintained.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider relates to the following:

- Consideration be given to expanding the Council's offering of other contact methods and 'self-service' through its website, in order to reduce call volumes.

Previous audit recommendations

This area has not been subject to previous audit review, hence there are no previous audit recommendations.

Assurance Review of the NN/22/05 Project Management Framework

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	OEM
Overarching Documentation and Compliance	0	2	0	0
<u>Original Recommendations</u>				
Cromer Recommendations	0	0	5	0
Project Management Action Points	0	1	2	0
Sheringham Action Points	0	1	0	0
Total	0	4	7	0

SCOPE

The internal audit team carried out three position statements on the project management framework at the Council in 2019/20 and a review of the Cromer Tennis Hub Project which resulted in a no assurance grading and 10 recommendations. This review assessed progress against delivering the actions points and recommendations arising from these reviews with practical examples of implementation gathered to demonstrate completion where possible. This is to provide assurances to the Governance Risk and Audit Committee that the project management framework has been appropriately designed and that it is being managed and applied effectively to manage projects at the Council.

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 seven 'needs attention' recommendations remaining (including revised) from previous audit scrutiny and two new 'important' recommendations, being raised, upon the conclusion of our work.

POSITIVE FINDINGS

We found that the Council has demonstrated the following points of good practice as identified in this review:

- The Corporate Decision Unit has been established with responsibility for overseeing the governance of Project Management, thereby providing greater oversight of projects;
- The CDU team has produced a comprehensive Project Management Guide with supporting templates which provides a framework which officers can readily use;
- There is a Log of Project Programmes which has been cross referenced to the Corporate Delivery Plan to try and ensure that all projects are identified for management through the Project Management Framework.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where four 'important' recommendations have been made of which two are new and two are existing from previous audit scrutiny.

Two new recommendations - Overarching Documentation and Compliance

- A post implementation review of the Project Management Guide is undertaken to ensure that the process is pragmatic and effective.
- Senior Management reinforce utilisation of the process by ensuring that projects considered by the Corporate Leadership Team are compliant with the process to date.

Existing/revised recommendations - From the Project Management and Sheringham Project reviews

- The Sieve criteria are signed off by the Corporate Leadership Team and all projects to be put through that Sieve process to provide a score to inform prioritisation of projects:
- The Project Management Guide and Business Plan Template are updated to ensure that that unsecured funding and date of decision, is explicitly identified.

The audit has also highlighted the following areas where seven 'needs attention' recommendations have been made; all of which relate to previous recommendation / actions, which had still to be formally implemented.

Existing/revised recommendations - From the Project Management, Sheringham Project and Cromer Tennis Club reviews

- The template Terms of Reference for the Large Project Board are amended to make clear how decisions are made and how risk and issues are escalated;
- The Project Management Guide is more explicit as to what as a minimum is required before sign off, including finance input and identification of the need for, and timing of, stakeholder engagement.
- The Project Management Guide to make clear that the Senior Responsible Officer is responsible for ensuring compliance with the process and completion of all documentation;
- The Project Management Guide needs to include reference to identifying critical milestones, including sign off of external funding submissions;
- The Business Case Template to include a section to show that the role and timing of stakeholder engagement has been identified;
- The Cabinet Working Party (Projects) Terms of Reference to be approved at the next meeting;
- The Project Management Guide to make clear at what stage project objectives are identified and agreed with the Project Board.

Operational Effectiveness Matters Previous

No operational effectiveness matters have been raised.

Previous audit recommendations / Action Points

- Twenty four recommendations or Action Points were made as part of the previous internal audit coverage of the Council's project management arrangements. Of those recommendations:
 - i) Fourteen are identified as complete and recommend to close or covered elsewhere.
 - ii) Nine are outstanding due to partial incomplete action. Recommendations are made to address this.
 - iii) One relates to procurement rather than Project Management and will be picked up as part of routine internal audit work in 2022/23.

*Of the previous audit recommendations made, Project Management Action Point 6 relating to ensuring that funding is formally confirmed and in place for all projects prior to approval and commencement was marked as closed. The Project Management does not make this a requirement prior to approval; it is only recommended for closure as it is covered in Cromer Recommendation 3 and Sheringham Action Plan 1. Recommendations to address the outstanding action is included in the Management Action Plan at Recommendation 4.

Ref	Original Recommendation	Item	Internal Audit Conclusion and Recommendation
1	<p>Cromer Recommendation 2</p> <p>The Code of Conduct for Members is to be reviewed to ensure that this meets the requirements of the Standards in Public Life, to complement this a process flowchart should be considered as a standing agenda item to assist Members with declarations.</p>	<p>The Code of Conduct for Members was reviewed. It was approved by Full Council on 21 July 2021.</p>	<p><i>Recommend close</i></p>
2	<p>Cromer Recommendation 5</p> <p>The most senior officer at the Council, i.e. the Chief Executive Officer, to operate at a strategic level without any formal involvement in project governance thereby allowing this officer to remain impartial in the event of dispute resolution. Risk: Without robust governance there is a risk of lack of objectivity and transparency in objective decision-making.</p>	<p>The Project Management Guide states that the Project Sponsor is usually the Assistant Director. This was confirmed by testing.</p>	<p><i>Recommend close</i></p>
3	<p>Cromer Recommendation 7</p> <p>As part of business case development the opportunity costs of spending on a project are clearly laid out.</p>	<p>The Project Management Guide includes this requirement.</p>	<p><i>Recommend close</i></p>
4	<p>Cromer Recommendation 9</p> <p>Prior to presenting to the appropriate authorising body all figures are robustly reviewed for reasonableness and accuracy. Consideration is given to testing the key assumptions with stakeholders.</p>	<p>Covered in Cromer Recommendation 3 and Sheringham Action Plan 1</p>	<p><i>Recommend close</i></p>
5	<p>Project Management Action Point 2</p> <p>Update the guide to project management. In particular, this should include: removing outdated references to posts/staff members developing a template for progress reports add Finance representation to project teams to advise on financial matters update project risk scoring to align with corporate risk scoring.</p>	<p>The Project Management Guide was updated to include these requirements.</p>	<p><i>Already marked as closed by the Client. Closure supported</i></p>
6	<p>Project Management Action Point 3</p> <p>Ensure consistency of documentation and record keeping for all projects, using a central database. Use of standard templates will enable more effective comparison between projects.</p>	<p>Consistent documentation has been agreed as part of the PM Guide and templates. These are available to all officers via the intranet. The mechanism for storing that documentation is in place but improvements being considered.</p>	<p><i>Already marked as closed by the Client. Closure supported</i></p>

Ref	Original Recommendation	Item	Internal Audit Conclusion and Recommendation
7	<p>Project Management Action Point 5</p> <p>Initial project proposals and business cases to make reference to how the project will help to achieve the objectives in the Corporate Plan. Where exceptions are made, this needs to be clearly identified, along with the reason for the exception.</p>	<p>The Project Management Guide requires a project proposal and full business case to be developed using the templates. Templates 1 and 2 require the Corporate Objectives the projects meet to be identified and documented.</p>	<p><i>Already marked as closed by the Client. Closure supported</i></p>
8	<p>Project Management Action Point 6</p> <p>Ensure that funding is formally confirmed and in place for all projects prior to approval and commencement – this links to the ‘feasibility’ criteria in Project Management Action Point 1.</p>	<p>The Project Management does not make this a requirement prior to approval. It is only recommended for closure as it covered in Cromer Recommendation 3 and Sheringham Action Plan 1,</p>	<p><i>Recommend close</i></p>
9	<p>Project Management Action Point 7</p> <p>Funding requests to Cabinet/Council should be robust and have input from Finance, to reduce the risk of budget overspend and to more accurately control the Council’s budgets.</p>	<p>Covered in Cromer Recommendation 3 and Sheringham Action Plan 1.</p>	<p><i>Recommend close</i></p>
10	<p>Project Management Action Point 8</p> <p>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 project</p>	<p>The Project Management Guide includes the requirement for a Risk Assessment to be undertaken; it is also Included within the Business Case Template.</p>	<p><i>Recommend close</i></p>
11	<p>Project Management Action Point 10</p> <p>Post-implementation reviews to be completed for all major projects to identify areas of success and lessons learnt for future projects.</p>	<p>The Project Management Guide includes the requirement for Post Implementation Reviews; a template is included for this purpose.</p>	<p><i>Recommend close</i></p>
12	<p>Sheringham Action Point 2</p> <p>Risks relating to budget increases be included in reports to Members, along with mitigating actions, so that Members are kept informed of any such potential increases and therefore are better informed of the likely outcomes, including any further decisions that they may be required to consider.</p>	<p>The Cabinet Working Party (projects) considers whether or not the budget is on track. The reporting template requires this to be identified and supports this process.</p>	<p><i>Recommend close</i></p>

Ref	Original Recommendation	Item	Internal Audit Conclusion and Recommendation
13	<p>Sheringham Action Point 3</p> <p>Consider introducing an 'optimism bias' into budgets for major projects, to reduce the likelihood of the project exceeding its budget. This should be determined on a case-by-case basis, as informed by the risks to the budget. It is noted that adding to the budget will tie up more of the Council's resources and reduce opportunities to undertake other projects. As a result, it is important that any additions to the budget are not excessive, to prevent the opportunity costs exceeding the benefits obtained.</p>	<p>The Project Management Guide proposes that Optimism Bias is considered.</p>	<p><i>Recommend close</i></p>
14	<p>Sheringham Action Point 4</p> <p>Project objectives and milestones are defined at the start of the project and progress against these is regularly reported.</p>	<p>Covered in Cromer Recommendation 4 and Project Management Action Point 9.</p>	<p><i>Recommend close</i></p>

Assurance Review of the NN/22/01 Annual Governance Statement

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance	0	1	2	2
Local Code of Corporate Governance	0	0	0	1
Supporting Evidence	0	0	1	1
Total	0	1	3	4

SCOPE

A deep dive review was undertaken to provide assurance that compliance with the Councils governance code can be evidenced and that Annual Governance Statement is compiled following the CIPFA and Solace Delivering Good Governance in Local Government. This review is to be carried out consortium wide to draw on similarities and relevant good practice interpretations.

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 three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised four '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.
- External Audit have not undertaken their audit of the 20/21 accounts; we are therefore unable to provide assurance over the Council's financial arrangements as reflected in the AGS because the accounts have not yet been signed off.

POSITIVE FINDINGS

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

- The Governance, Reporting and Audit Committee reviewed the Annual Governance Statement on 28/09/21.
- The overall Internal Audit opinion plus matters for inclusion in the Annual Governance Statement were included within the Annual Governance Statement.
- The Director for Resources has overall responsibility and ownership for the Annual Governance Statement process. Input is received from all departments as the Chief Executive, Directors, Assistant Directors and officers with specific roles provide input via completion of assurance statement assessments which inform the Annual Governance Statement and review of the Local Corporate Governance Code.
- The Annual Governance Statements were signed by the Chief Executive and the Leader of the Council.
- The Annual Governance Statement for 2020/21 is accessible to Members and the Public. A link to the Annual Governance Statement is included on the NNDC Public Website on the Statement of Accounts page.
- The action plan, supporting the Annual Governance Statement, is based on the composite report compiled on the basis of the self-assessment responses provided by management.
- The Local Code of Corporate Governance is reviewed annually. A link to the Annual Governance Statement is included on the NNDC Public Website which includes the current Local Code.

- The Local Code is updated annually based on the self-assessments. There are 7 key principles and 5 were selected for review. One piece of supporting evidence per principle was selected from the NNDC Local Code. All were available, reviewed and satisfactory.
- The role of internal audit and key findings from its work are included within the Annual Governance Statement. The overall Internal Audit opinion (Reasonable) was stated.
- In compliance with the CIPFA guidance, The Annual Governance Statement includes role of internal and external audit, assessments of risk and control, effectiveness of key controls and partnership arrangements, statement on 'Tackling Fraud and Corruption' and refers to the Head of Internal Audit Opinion.
- The Annual Governance Statement includes a specific reference to the fact that the External Auditors provide an opinion on the accounts.
- The Annual Governance Statement references the Head of Internal Audit opinion and summarises the sources of review of governance effectiveness and their role (s4). This includes Cabinet, Monitoring Officer, Constitution Working Party and Governance, Risk and Audit Committee.
- During 2020/21 there was one significant issue which resulted in an Internal Audit with a 'No Assurance' rating. This was identified within the Head of Internal Audit Opinion as a matter for inclusion within the Annual Governance Statement. This has been included and actions to address the findings and implement recommendations summarised.

ISSUES TO BE ADDRESSED

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

Governance

- Findings from the Self-Assessment process to be summarised in the Annual Governance Statement and cross referenced to the Action Plan.

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

Governance

- An overview of the Council, its vision, character and structure to be included within the Annual Governance Statement which demonstrates how governance supports these achievements.
- A summary of the outcome of sources of assurance are consistently included within the Annual Governance Statement.

Supporting Evidence

- The timetable for completion of the Annual Governance Statement, including the Self-Assessment Process, is documented and shared with Council officers.

Operational Effectiveness Matters

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

- That a date of signature 'box' is included on the template Annual Governance Statement and completed when the Chief Executive and Leader of the Council sign the Annual Governance Statement.
- The Counter Fraud, Corruption and Bribery Policy, a key source of assurance, is referenced within the Annual Governance Statement.
- The issue and outcome for each action are included within the Action Plan.
- That the Annual Governance Statement of other local Councils (specifically South Norfolk and Broadland, which have a broadened scope and clearer layout, are reviewed to inform revision of the North Norfolk Annual Governance Statement.

Previous audit recommendations

This is the first Annual Governance Statement audit for the Council however, the Key Control and Assurance audit includes a review of the Assurance Framework. No recommendations were made on the Assurance Framework process in the Key Control and Assurance audit undertaken in 2020/2021.

Assurance Review of NN/22/09 Covid Business Grants

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Data collection, processing, tools for post assurance checks, assessment of progress and system accuracy	0	3	0	0
Risk Monitoring	0	1	0	0
Total	0	4	0	0

SCOPE

The objective of the audit was to review the systems and controls in place within Covid Government Grants, to help confirm that guidance was clear, internal processing and checks were/are adequate, relevant resources assigned, funding arrangements in place and submissions to Government adequate.

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 'important' recommendations being raised upon the conclusion of our work.
- A direction of travel is not applicable since the areas under scope have not previously been subject to an internal audit review.

POSITIVE FINDINGS

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

- Policies were enacted by the Council for administering the discretionary grant schemes, and were in accordance with Government guidance.
- Data collection processes, and application forms, were established for mandated and discretionary grants. The systems utilised provided a clear audit trail of grant decisions, and retained all submitted supporting documentation.
- Internal processes were developed across multiple business functions to assist in the processing, checking, and monitoring of the grant schemes.

ISSUES TO BE ADDRESSED

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

Data collection, processing, tools for post assurance checks, assessment of progress and system accuracy

- Pre-payment assurance plans must be developed for the Additional Restrictions Grants (ARG) and Restart grant schemes, as required by Government guidance. The pre-payment assurance plan must include the required company and bank account checks.
- Post payment assurance plans must be developed for the ARG scheme, as required by Government guidance. The post payment assurance plan should incorporate the required company and bank account checks, if not already completed through the course of pre-payment assurance activities.

- Post payment assurance plans should be updated to accurately reflect the scope of the testing performed, and any changes in the completion deadlines. (This has subsequently been implemented – no further action is required at this stage).

Risk Monitoring

- Risk assessments for the ARGs to be developed in accordance with Government guidance.

****Note that the aforementioned matters raised should be considered in light of past and present grant activity, and guidance issued by BEIS on 31st December, 2021, which post-dates audit testing. The matters raised primarily affected two of the 13 grant schemes administered in total. The recommendations outlined in this report provide assurance over the impact of any potential clawbacks. Our assurance rating reflects the number and priority of our recommendations, while also accounting for the overall scope of the grants administered.***

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This area has not been subject to a previous internal audit review.

Assurance Review of NN/22/14 Environmental Health

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Licensing	0	2	0	0
Food safety	0	1	2*	0
Health and safety	0	0	1*	0
Total	0	3	2	0

*One recommendation applies to both of these areas.

SCOPE

Environmental Health was last reviewed in 2018/19 and was given a 'Reasonable Assurance' opinion covering the following areas: Licencing, Commercial, waste and public space protection orders. Our 2020/21 review was deferred due to Covid-19 plan revisions. This year's audit focused on evaluating controls for Licencing and Food Safety inspections.

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 two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit report on Environmental Health (NN/19/14), issued in April 2019, also concluded in a 'Reasonable' assurance opinion, with two 'important' and four 'needs attention' recommendations being raised. Although the overall assurance level remains unchanged, given the difference in scope from the previous review, a direction of travel is therefore not considered appropriate.

POSITIVE FINDINGS

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

- Up to date policies and procedures for licensing and food safety are in place to help ensure consistency of service.
- All information and evidence required for licence application is received and retained prior to the licence being issued.
- Reports of licence breaches are investigated promptly, with enforcement action taken as necessary.
- Actions and poor outcomes arising from food hygiene inspections are followed up to ensure that necessary improvements have been made.
- Food hygiene inspections are carried out in accordance with the food hygiene rating scheme, with outcomes documented and notified to the business owner.

ISSUES TO BE ADDRESSED

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

Licensing

- Up to date licence registers to be published on the Council's website, thereby ensuring compliance with a statutory requirements for this information to be publicly available.
- Licence fee income to be reconciled regularly, to ensure it can be correctly accounted for.

Food safety

- Food hygiene inspections of businesses to be conducted in a timely manner, for both new and existing businesses, so as to help ensure any instances of poor hygiene standards in food businesses in the district are identified and addressed.

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

Food safety

- Complainants to be notified of the outcomes of all food complaints, thereby ensuring correct procedure has been followed to resolve the matter and to protect the Council against reputational damage.
- All actions taken in response to complaints and reports to be clearly recorded, in order to ensure there is a clear audit trail of those actions is maintained and that the action taken was correct.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit report on Environmental Health (NN/19/14), issued in April 2019, also concluded in a 'Reasonable' assurance opinion, with two 'important' and four 'needs attention' recommendations being raised. Two of these remain outstanding. One of these relates to the licensing registers and has been reiterated in recommendation 1 below; the other relates to Public Spaces Protection Orders which is outside the scope of this audit with progress continuing to be monitored through cyclical follow up checks.

Other points noted

The Council is in the process of transitioning to a new Environmental Health system, Assure. This work has been in progress since 2018 and there has been a number of difficulties with the implementation of the new system.

Testing of licence issuing identified that there have been periods when licence applications have not been processed in a timely manner. These coincided with peaks in the Covid-19 outbreak, when officers in Environmental Health had to prioritise the Council's Covid-19 response. As licences are now being processed promptly, therefore a recommendation has not been raised.

Assurance Review of Accountancy Services

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Treasury Management	0	0	1	0
Asset Management	0	0	1	0
Total	0	0	1	0

No recommendations have been raised in respect of budgetary control, journals, general ledger maintenance and control accounts.

SCOPE

These key financial systems feed into the Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls. The audit reviewed controls in treasury management, budgetary control, journals, general ledger maintenance, control accounts and asset management arrangements.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous report on Accountancy Services (NN/20/05) was issued in February 2020, with a 'Substantial' assurance opinion having raised three needs attention recommendations; two relating to budgetary control and one relating to asset management. This indicates a high level of internal control is being maintained.

POSITIVE FINDINGS

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

- The budget for 2021/22 was presented to Cabinet 1st February 2021 and Full Council on 24th February 2021 for approval in accordance with a set timetable and was promptly uploaded onto the Finance system.
- The Treasury Management Strategy for 2021/22 was approved by Council in February 2021. The Strategy explains the Council's approach to treasury management and defines the counterparties and limits that are allowed for investments.
- Investments were recorded to confirm compliance with the Treasury Management Strategy and approved in accordance delegated levels of authority.
- Regular management and performance information is produced and reported to senior management and Members. A treasury management report is presented to members on a bi-annual basis (mid-year and at year-end). The report to Cabinet on 6th September 2021 set out the Treasury Management activities actually undertaken during 2020/21 compared with the Treasury Management Strategy for the year.
- Control accounts, in particular, those for payroll, sales and purchase ledgers, are reconciled each month to ensure that all transactions reconcile to the general ledger. These reconciliations are retained and signed off appropriately. All reconciliations were completed within one month and signed and dated by the preparer and reviewer.

- The general ledger suspense account is reviewed each month to ensure that all long standing items are cleared. This helps ensure all items are posted to the correct account.

ISSUES TO BE ADDRESSED

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

Treasury Management

- For prompt independent review of monthly treasury management reconciliations.

Asset Management

- For the asset register to be reconciled in-year, preferably at the end of quarter three, thus allowing easier identification of any discrepancies prior to year-end reconciliation. It will also allow outcomes of audit scrutiny to feed into the Head of Internal Annual Audit Opinion. (In response to the draft report, the Chief Technical Accountant, although agreeing with the recommendation in principle, due to limited activity with acquisitions and disposals and with all staff busy with budget setting during quarter three, was not able to commit to this, at this time, although agreed to keep under review should there be capacity in the team in future; potentially when the new finance system is implemented and the resumption of business as usual. Audit Comment - We acknowledge management's comments and will revisit this during the next audit of this area. In the meantime, the end of year reconciliation for 2020/21 will be reviewed in the NN/22/02 Key Controls review currently in progress, so as to provide some coverage of the reconciliation process).

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

All three recommendations were confirmed as implemented through internal audit cyclical follow up checks.