



**Audit Committee**  
**Monday, 28th October, 2019 at 5.00 pm**  
**in the Council Chamber, Town Hall, Saturday Market  
Place, King's Lynn PE30 5DQ**

**Reports marked to follow on the Agenda and/or Supplementary  
Documents**

1. **Internal Audit Half Year Progress Report** (Pages 2 - 12)

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**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	28 <sup>th</sup> October 2019		
TITLE:	Internal Audit Half Year Progress Report 2019-20		
TYPE OF REPORT:	Update		
PORTFOLIO(S):	Cllr Long, Leader		
REPORT AUTHOR:	Kathy Woodward, Internal Audit Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

<b>PURPOSE OF REPORT/SUMMARY:</b>
To provide Members with an update on progress against the Internal Audit Strategic Plan 2019-20 that was endorsed by the Audit Committee at the meeting on 11th March 2019. The report also provides an update on the fraud work for the first half of the year.
<b>KEY ISSUES:</b>
Section 5 of the Accounts and Audit Regulations 2015 state that ' <i>A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.</i> '
The work of the Internal Audit team throughout the year is directed towards compliance with this requirement as well as aiming to add value to the Council's services by identifying opportunities to improve efficiency and effectiveness.
The Audit Committee Terms of Reference require it to monitor the delivery of the internal audit activity.
<b>OPTIONS CONSIDERED:</b>
<i>Not applicable</i>
<b>RECOMMENDATIONS:</b>
Members are asked to review the progress against the audit plan and to note the update of the fraud work.
<b>REASONS FOR RECOMMENDATIONS:</b>
Audit Committee members are required to monitor the delivery of the Internal Audit Plan as part of the Committee's Terms of Reference, which is legislated in section 5 of the Accounts and Audit Regulations 2015.

## **REPORT DETAIL**

### **1. Introduction**

- 1.1 The Strategic Audit Plan 2019-20, endorsed by the Audit Committee on 11<sup>th</sup> March 2019, sets out the work Internal Audit expect to carry out during the year. This work complies with the requirements of the Accounts and Audit Regulations 2015:

*Section 3 – A relevant authority must ensure that it has a sound system of internal control which:*

- a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- b) Ensures that the financial and operational management of the authority is effective*

*Section 5 - A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*

- 1.2 Performance Standard 2060 of the Public Sector Internal Audit Standards (PSIAS) requires the Audit Manager to report to the Audit Committee on the internal audit activity and performance relative to this plan.
- 1.3 The Terms of Reference for the Audit Committee require the Committee to monitor delivery of the internal audit activity to ensure that the resources and work are sufficient to fulfil the requirements of the Accounts and Audit Regulations.

### **2. Monitoring Report**

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are sent to the Chief Executive, Interim Financial Services Manager (S151 Officer), and the external auditors, Ernst and Young. A copy is also placed on InSite in the restricted area for members of the Audit Committee to view. Each report contains an action plan, with target dates, that has been agreed with the managers to address any observations and recommendations raised by the Internal Auditor. This forms the basis of the follow-up audit, which is carried out approximately six months later to assess progress in implementing the agreed actions.
- 2.2 The following audits have been completed during the first half of 2019-20 and reports issued as described above:
- Housing Strategy
  - Child Protection
  - Treasury management
  - Community Infrastructure Levy
  - Data Quality and Interpretation (GDPR & DPA)
  - Vehicle Fleet \*
  - External Communications\*
  - Legal Services \*
  - Procurement \*
  - Partnerships \*
  - Cost Reduction Programme \*
  - Careline \*
  - Allotments \*
  - Council Awarded Grant Funding \*
  - Care & Repair Follow Up
  - Benefits Follow Up
  - Ethical Culture Follow Up

\* These reports are complete but the Final reports have not been issued yet.

A summary of the reports is attached as **Appendix 1** and the full versions are available under the relevant year to members of the Audit Committee on InSite.

2.3 The following audits are currently ongoing and will be reported to the Committee in the next progress report:

- Cyber Security
- Land Charges
- Document Management
- Electoral Services
- Alive West Norfolk Governance
- Personal Identifier and Financial Relationship
- Whistleblowing
- Prevention of Fraud and Corruption
- Annual Governance Statement
- Car Parking & Civil Enforcement
- Refuse Collection & Recycling
- KLIC Lessons Learnt Review follow up

2.4 In addition to the standard audits, Internal Audit also undertook other work during the first half of the year including the following:

- Providing support to the Finance System implementation process, ensuring compliance with relevant regulations and legislation.
- Providing support to members of the Audit CPWG on KLIC
- Providing support and guidance to Members of the Audit Committee
- Water Management Alliance audit
- Checks on the Cost of Living and Performance Related Pay calculation spreadsheets

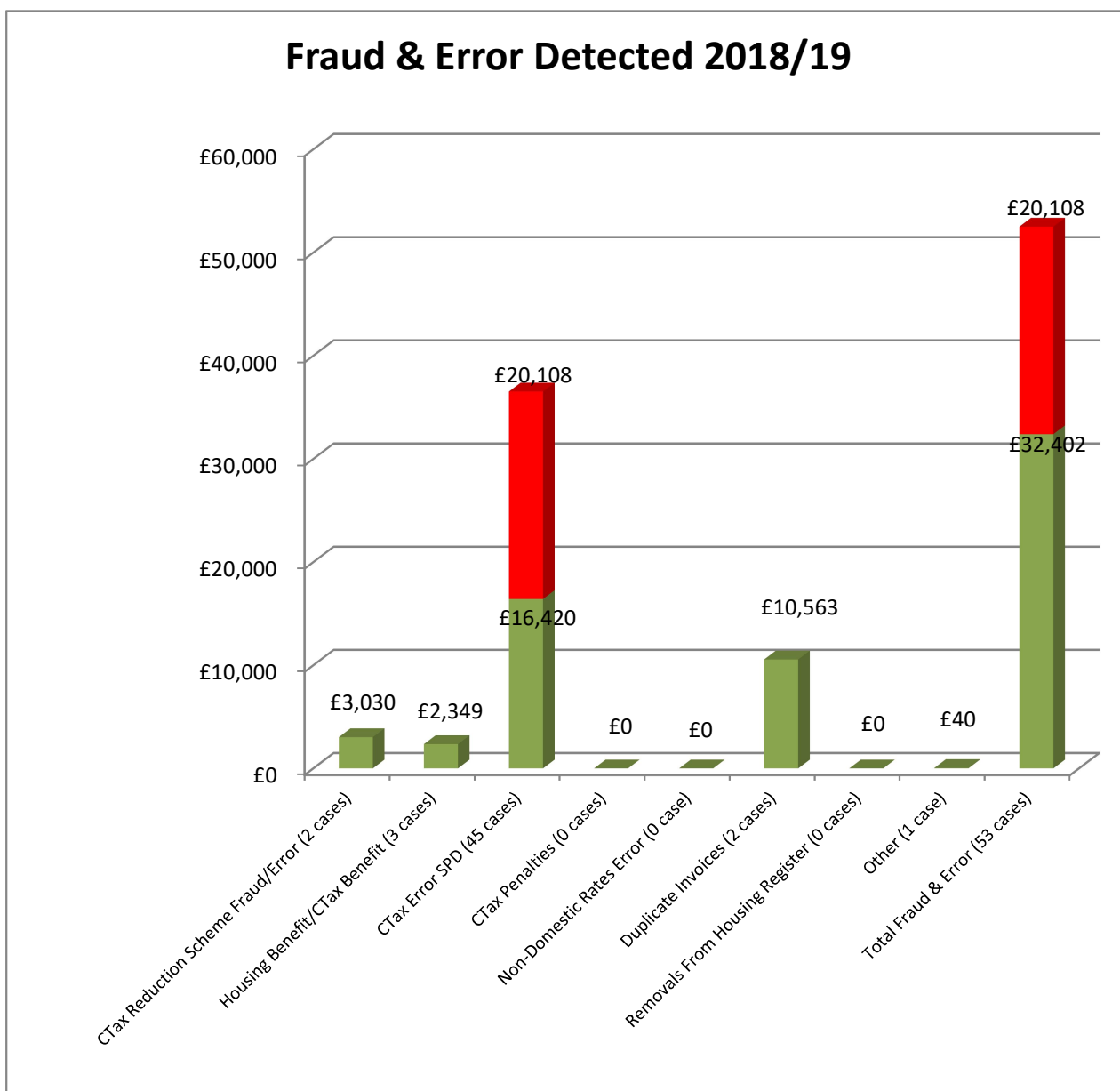
### **3.0 Work planned for October 2019 to March 2020.**

3.1 As well as completing the ongoing work listed in paragraph 2.3, the following audits are planned for the second half of 2019/20:

- Accounts Payable
- Financial Management System
- Payroll
- Financial Governance and Budgetary Control
- Council Offices and Sites, incl. Tourist Information Centre
- Community Safety and Neighbourhood Nuisance
- Environmental Quality
- Major Projects – Housing Delivery Needs
- Regeneration and Economic Development

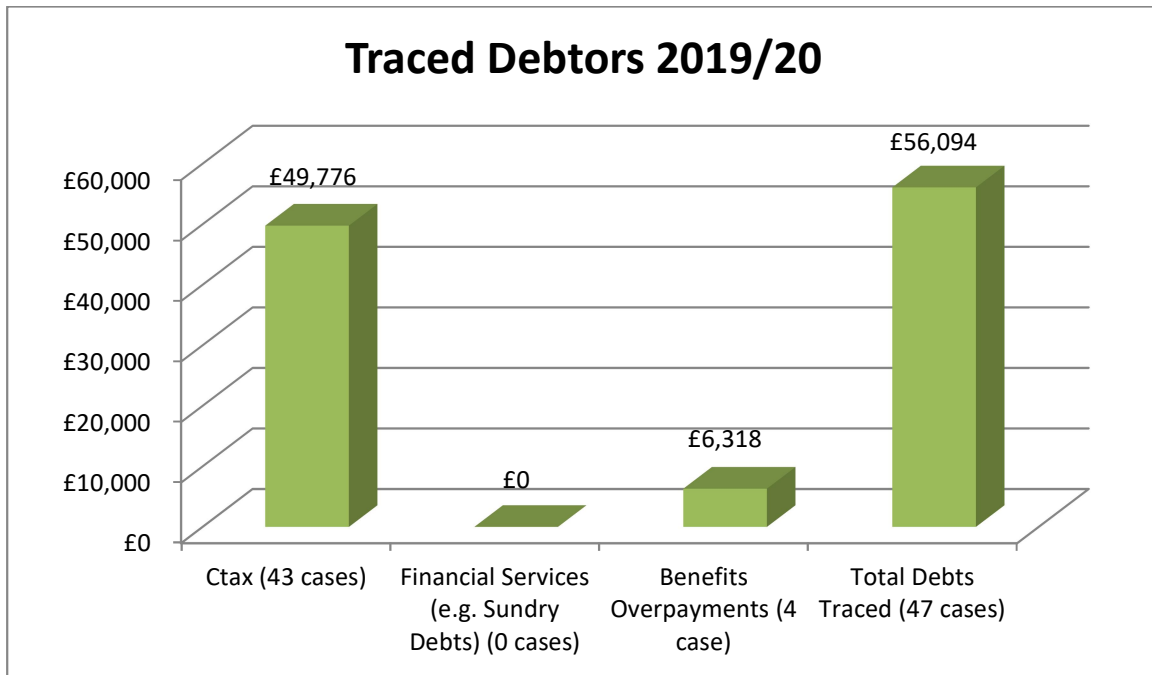
#### 4. Investigations Work April 2019 – September 2019

4.1 The total fraud and error identified during 2019/20 to date:



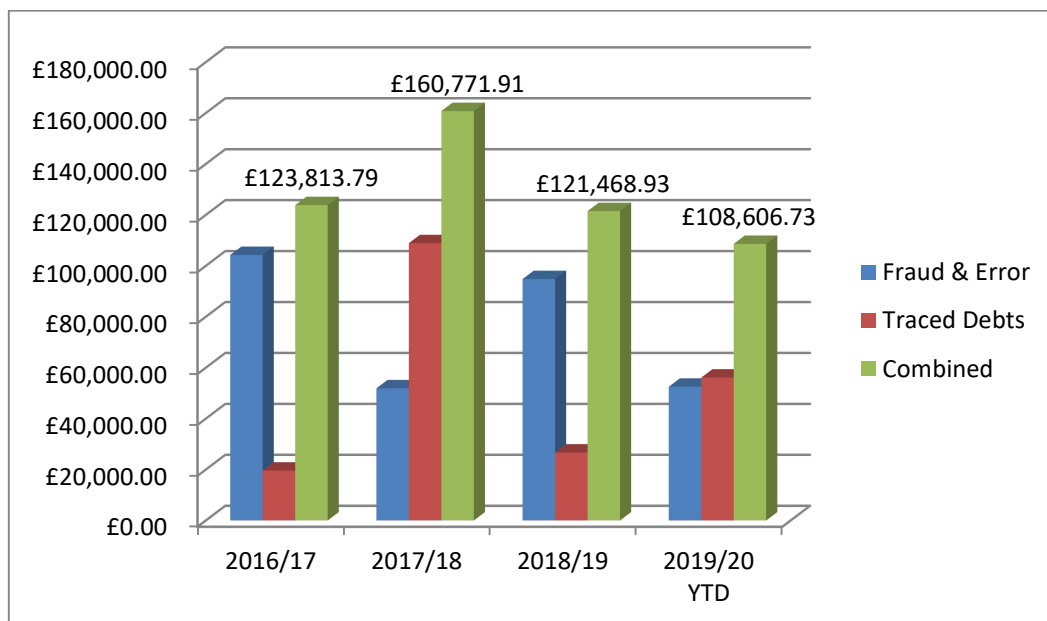
4.2 The above chart shows the actual fraud and error detected for the year to date (green) and the future savings that have been identified as a result of stopping the fraud and error from continuing (red), these are calculated using a national calculation methodology which has been adopted by all members of the Norfolk FraudHub.

4.3 Investigation work has continued on an adhoc basis to attempt to trace debtors/absconders who have not advised of their address/contact information but have outstanding arrears with the Authority. Where a successful trace has been made any new address/contact information is being passed on to the relevant section for recovery purposes. The following values of Debtors/Absconders have been identified during 1 April 2019 to 30 September 2019:



4.4 Other investigation work has resulted in 17 Council Tax accounts being amended from a Single Person Discount award to a Student Disregard (the council tax liability has not changed but future fraud and error may have been prevented). Furthermore through the work being carried out for Data Matching purposes this has resulted in benefit entitlement being cancelled for 1 case for Central Bedfordshire Council amounting to a £1,994 saving to the public purse.

4.5 During the financial year 2019/20 to date, investigations have been conducted into **2,819** cases of fraud and error. Below is a comparison of the results from investigations during the past 3 full financial years and the current financial year to date to show how this year's work compares:



4.6 As part of the investigation work conducted, data matching exercises are carried out with the Cabinet Office's National Fraud Initiative, these exercises cross-over financial years and form part of the fraud and error figures stated above at 4.1.

There are currently two themes of National Fraud Initiative (NFI) reporting being completed:

- 1) The NFI National Exercise – This is a council wide data matching exercise, focusing on all possible areas of the council including Creditors, Payroll, Council Tax and Housing Benefits. This exercise is undertaken every two years.
- 2) The Flexible Matching Service (FMS) – This is carried out annually, focusing primarily on Council Tax data matches in need of investigation. The Flexible Matching Service deals with matches mainly consisting of:
  - Council Tax Single Person Discount (SPD) - the outstanding matches are for Council Tax accounts that do not match Electoral Register information that require further investigation.
  - Additionally, some matches refer to details where the second adult is due to turn 18 between now and the end of the financial year.

4.7 Below is a table outlining the number of data matches that have been received, processed, errors identified and value identified from those errors (these figures are included within the above figures at 4.1 where matches have been processed during the period 2019/20 only):

<b>Exercise</b>	<b>Matches Received or Brought Forward to 2019/20</b>	<b>Matches Processed as at 30/09/19</b>	<b>Matches left as at 30/09/19</b>	<b>Errors identified as at 30/09/19</b>	<b>Value identified as at 30/09/19</b>
<b>NFI National Exercise 2018/19</b>	1,942	1,195	747	2	£10,563
<b>NFI FMS 2018</b>	10	10	0	0	
<b>NFI FMS 2019</b>	5,806*	1,358	4,448	70	£35,004.95
<b>FraudHub</b>	230	219	11	0	0
<b>TOTAL</b>	<b>7,988</b>	<b>2,782</b>	<b>5,206</b>	<b>72</b>	<b>£45,567.95</b>

*\*A new data matching exercise has been introduced that matches Council Tax, Council Tax Reduction Scheme and Housing Benefit data against HMRC data that has resulted in a large increase in matches received.*

- 4.8 Work has continued to produce an Anti-Fraud and Corruption Risk Register which will be used by Internal Audit to help identify any potential areas of risk and to then further mitigate those risks where possible.
- 4.9 Joint working with the Department for Work & Pensions Single Fraud Investigation Service has continued on cases of suspected Council Tax Reduction Fraud where DWP benefits are also under suspicion of fraud. There are currently 11 live joint working cases.
- 4.10 The Norfolk FraudHub has been established by Norfolk County Council and all 7 of the District Authorities within Norfolk (including the Borough Council of King's Lynn & West Norfolk). Data sets have now started to come through and different data sets

are soon to be considered for matching (including Business Rates data with a view to investigating fraudulent claims for Small Business Rates Relief). Results should start to be seen in due course.

## **5. Issues for the Panel to Consider**

- 5.1 The Committee needs to consider if the work completed by the Internal Audit team during 2019-20 is sufficient to support an opinion on the systems of internal control within the Council.

## **6. Corporate Priorities**

- 6.1 The internal audit activity supports the achievement of the Corporate Business Plan by adding value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

## **7. Financial Implications**

- 7.1 None to Consider.

## **8. Any other Implications/Risks**

- 8.1 Monitoring the work of the Internal Audit Team enables the Audit Committee to receive assurance on the state of the internal control system of the Council.

## **9. Conclusion**

- 9.1 The Strategic Internal Audit plan provides the basis for the Internal Audit team to carry out the work necessary to provide assurance on the systems of internal control. Monitoring progress against the plan ensures sufficient work is completed to provide an Annual Audit Opinion for the Annual Governance Statement and to fulfil the requirements of the Accounts and Audit Regulations 2015.
- 9.2 Progress to date has been satisfactory and at this point nothing has arisen to suggest that the plan will not be completed within the year. If anything does arise that will impact on the completion of the plan, the Committee will be informed at the next available meeting.

## **10. Background Papers**

Strategic Internal Audit Plan 2019-20.  
Accounts and Audit Regulations 2015



## Notes to support the summary in Appendix 1

The following tables provide an explanation of the terms used to grade the recommendations contained in the final audit reports, and the overall opinion attributed as the result of each audit.

### Recommendations

The observations and recommendations are allocated a grading High, Medium or Low as defined below|:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft.
Low	Matters of limited risk. Action should be taken as resources permit.

Please note – ‘Low’ recommendations are not summarised in this report due to the insignificant nature of the issue.

### Audit Opinion

At the conclusion of the audit an overall audit opinion is formed for the audit area. The definition for each level of assurance is given below.

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Audits completed April to October 2019-20	Overall Opinion
<p><u>Housing Strategy</u> Report Published August 2019 1 Medium and 4 Low recommendations made. The medium recommendation relates to continuing to identifying sites to be allocated for the development of housing. The low risk recommendations relate to best practice guidance identified during the course of the audit.</p>	Substantial Assurance
<p><u>Child Protection</u> Report Published July 2019 1 High, 1 Medium and 7 Low risk recommendations made. The high risk recommendation relates to ensuring all departments across the council are following the risk assessment procedures as set out in the Safeguarding Policy. The medium risk recommendation relates to ensuring that upcoming contract tenders consider safeguarding provisions. The low risk recommendations relate to best practice guidance identified during the course of the audit.</p>	Substantial Assurance
<p><u>Treasury Management</u> Report Published August 2019 1 Medium and 4 Low recommendations made. The medium risk recommendation relates to ensuring that internal procedures reflect current staffing authorisation limits and signatures. The low risk recommendations relate to best practice guidance identified during the course of the audit.</p>	Substantial Assurance
<p><u>Community Infrastructure Levy (CIL)</u> Report published September 2019 1 High recommendation and 2 Medium recommendations were made. The High risk recommendation relates to the governance arrangements regarding the spending of CIL receipts. The medium recommendations relate to training and guidance for the Validation Team and contingency arrangements to provide cover in the event of long-term absence.</p>	Substantial Assurance
<p><u>Data Quality and Interpretation</u> Report Published September 2019. 3 Medium risk and 10 low risk recommendation made. The medium risk recommendations relate to ensuring that the Data Protection Policy is fit for purpose and communicated to officers and members, including reporting. The low risk recommendations relate to best practice guidance identified during the course of the audit.</p>	Substantial Assurance
<p><u>Vehicle Fleet</u> Report due to be published. Update to follow in next progress report</p>	
<p><u>External Communications</u> Report due to be published. Update to follow in next progress report</p>	

Audits completed April to October 2019-20	Overall Opinion
<u>Legal Services</u> Report due to be published. Update to follow in next progress report	
<u>Procurement</u> Report due to be published. Update to follow in next progress report	
<u>Partnerships</u> Report due to be published. Update to follow in next progress report	
<u>Cost Reduction Programme</u> Report due to be published. Update to follow in next progress report	
<u>Careline</u> Report due to be published. Update to follow in next progress report	
→ <u>Allotments</u> Report due to be published. Update to follow in next progress report	
<u>Council Awarded Grant Funding</u> Report due to be published. Update to follow in next progress report	

Audits completed April to October 2019-20	Overall Opinion
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Follow up report

<p><u>Care and Repair</u> The report published in August 2018 contained 3 high recommendations and 7 medium recommendations. 5 are complete, 3 are progressing as planned and 2 are progressing slower than planned.</p>	<p>Aug 2018 Substantial Assurance</p>	<p>May 2019 Further Follow Up required</p>
<p><u>Benefits</u> The report published in March 2019 contained 1 high recommendation and 2 medium recommendations. The 1 high recommendation is complete and the 2 medium recommendations are progressing as planned.</p>	<p>Mar 2019 Full Assurance</p>	<p>Sep 2019 No further follow up required</p>
<p><u>Ethical Culture</u> The report published in March 2019 contained 6 low recommendations. 5 recommendations are complete and 1 is progressing as planned.</p>	<p>Mar 2019 Full Assurance</p>	<p>Sep 2019 No further follow up required</p>