

# Eastern Internal Audit Services



**Borough Council of King’s Lynn and West Norfolk**

**Internal Audit Half Year Progress Report**

**Period Covered: 1 April 2021 to 11 November 2021**

**Responsible Officer: Faye Haywood – Internal Audit Manager**

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## 1. INTRODUCTION

- 1.1 This report is issued to assist Borough Council of Kings Lynn and West Norfolk 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 Council 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 finalised audits;

## 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 15 March 2021, the Annual Internal Audit Plan for the year was presented to the Audit Committee. This half-yearly progress update suggests the following amendments to the plan. Justification and reasoning for changes suggested are provided in more detail within the Public Sector Internal Audit Standards Assessment Report included elsewhere on the agenda.

Audit Title	Days	Reason for Change
Addition - Waste Services	15	Significant risk raised in CRR
Addition Housing Standards	10	Significant risk raised in CRR
Asset Register	-15	Deferred to 2022/23 to allow for new system implementation.
Performance & Appraisal	-15	No significant risk raised.
Compliance with Bribery Act 2010	-10	No significant risk raised.
ICT Wireless Networks	-15	No significant risk raised.
Democratic Services	-15	No significant risk raised.
Play Areas	-10	No significant risk raised.
Amenity Property & Land	-15	No significant risk raised.
Care & Repair	-7	No significant risk raised.
<b>Total</b>	<b>-77</b>	Reduction of 77 days in 2021/22 to ensure resources are utilised to provide assurance over key risks.

## 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 149 days of programmed work has been completed, equating to 52% of the revised Internal Audit Plan for 2021/22.
- 3.3 Quarter one and two audits are beginning to conclude with the majority now at draft report stage. Improvements to time charging processes are being progressed with an aim to prevent allocated days from being exceeded and to maximise available audit budget within the testing phase of each review.

Remote working and service area engagement has been challenging in some areas as the Council is removing from the impact of the pandemic. The above mentioned amendments to the plan will enhance the teams ability to deliver the plan of work to inform the Internal Audit year end Annual Opinion.

**4. THE OUTCOMES ARISING FROM OUR WORK**

4.1 The Internal Audit Manager has highlighted the need for an amendment to grading definitions going forward as outlined within the Public Sector Internal Audit Assessment report. At present, upon completion of each individual audit an assurance level is awarded using the following definitions:

Assurance Opinion	Definition
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

Recommendations made on completion of audit work are prioritised using the following definitions:

**High:** Fundamental control issue on which action to implement should be taken within 1 month.

**Medium:** Control issue on which action to implement should be taken within 3 months.

**Low:** Control issue on which action to implement should be taken within 6 months.

4.2 During the period covered by the report two final reports have been finalised:

Audit	Assurance	High	Medium	Low
Economic Development	Substantial	0	6	0
Information Legislation	Substantial	0	2	3

The Executive Summary of these reports are attached at **Appendix 2**; full copies of these reports have been added to the intranet for Members to access.

- 4.3 As can be seen in the table above as a result of these audits a total of 11 recommendations have been raised and agreed by management.
- 4.4 In addition to the above in April 2021, the Internal Audit Team carried out a review of the Water Management Alliance. This work involves carrying out checks of Accounting Records, Financial Regulations, Standing Orders, Risk Management, Budgetary Control, Income, Petty Cash, Payroll, Assets, Investments, Cashbook, Bank Recs and Year End Procedures for all five of its Internal Drainage Boards. A total of nine days were delivered.

## 5. PERFORMANCE MEASURES

- 5.1 A review of the performance framework for Internal Audit has been suggested as an area of improvement as outlined within the Public Sector Internal Audit Assessment Report. Until this work is concluded, progress against agreed performance metrics are provided in the table below:

<b>Metric</b>	<b>Target</b>	<b>Half-yearly performance</b>	<b>Commentary</b>
1.Delivery of Audit Plan	95%	52%	On track - 149/286 days delivered from revised 2021/22 plan.
2.Percentage of time spent on audits	60%	66%	On track

## 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
							High	Medium	Low	
<b>Quarter 1</b>										
Eco Dev & Regen	19/20	4	4	4	Final report issued on 13 October 2021.	Substantial	0	6	0	Nov-21
Planning Enforcement	20/21.16	5	5	8	Draft report issued on 19 October 2021					
Information Legislation (DPA, FOI, EIR)	21/22.8	10	10	16	Final report issued on 15 October 2021.	Substantial	0	2	3	Nov-21
Street Cleansing	20/21.17	5	5	2	Currently in progress with testing.					
<b>TOTAL</b>		<b>24</b>	<b>24</b>	<b>30</b>						
<b>Quarter 2</b>										
Emergency Planning & Management	21/22.10	15	15	5	Testing currently in progress.					
Council Tax & Business Rates	CO1	10	10	12	Draft report issued 1 November 2021					
Policies	20/21.1	5	5	6	Draft report in progress.					
Financial Management Systems	CO3	20	20	13	Testing currently in progress.					
Covid-19 Business Grants	21/22.3	17	17	23	Draft report in progress.					
Benefits	CO4	10	10	7	Draft report in progress.					
Care & Repair	20/21.19	7	0	0	Cancelled.					
<b>TOTAL</b>		<b>84</b>	<b>77</b>	<b>66</b>						
<b>Quarter 3</b>										
Alive West Norfolk	21/22.9	20	20	9	Testing currently in progress.					
ICT Disaster Recovery	20/21.7	15	15	1	Testing currently in progress.					
Licensing	21/22.14	15	15	6	Testing currently in progress.					
Accounts Payable	CO2	20	20	6	Testing currently in progress.					
Financial Governance and Budgetary Control	CO9	20	20	6	Testing currently in progress.					
Play Areas	21/22/.13	10	0	4	Cancelled.					
Amenity Property & Land	21/22.6	15	0	0	Cancelled.					
Democratic Services	21/22.1	15	0	0	Cancelled.					
<b>TOTAL</b>		<b>130</b>	<b>90</b>	<b>32</b>						

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Date to Committee
							High	Medium	Low	
<b>Quarter 4</b>										
ICT Wireless Networks	21/22.7	15	0	0	Cancelled.					
Payroll, expenses & allowances	CO6	20	20	1	Planning stage					
Food Safety and Health & Safety	21/22.11	15	15	0	Planning stage					
Performance & Appraisal	20/21.4	15	0	0	Cancelled					
Compliance with Bribery Act 2010	21/22.2	10	0	3.5	Cancelled.					
Capital Programme	21/22.5	15	20	0	Planning stage					
Asset Register	21/22.4	20	0	4.5	Deferred to 2022/23					
Waste Services ( <i>Addition</i> )	21/22.20		15	0	Planning stage					
Housing Standards ( <i>Addition</i> )	21/22.21		10	0	Planning stage					
<b>TOTAL</b>		<b>110</b>	<b>80</b>	<b>9</b>						
<b>Other</b>										
Major projects - consultancy	21/22.12	15	15	12	Officer Major Projects Board Meetings					
<b>TOTAL</b>		<b>15</b>	<b>15</b>	<b>12</b>						
<b>TOTAL</b>		<b>363</b>	<b>286</b>	<b>148</b>			<b>0</b>	<b>8</b>	<b>3</b>	
<b>Percentage of plan completed</b>				<b>52%</b>						

## APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

### 21/22.8 Executive Summary Information Legislation Report

Our Assurance Opinion: <b>SUBSTANTIAL</b>								
No. of Assurances Over Control Areas Reviewed					No. of Recommendations & Priorities			
Full	Substantial	Limited	No	Total	High	Medium	Low	Total
1	5	0	0	6	0	2	3	5

Overall Objective and System Background
<p>As part of the Internal Audit Plan for 2021-2022, an audit has been undertaken to gain assurance that the data sharing arrangements in place are lawful, allows access to the data required and governance of the shared information is understood.</p> <p>The General Data Protection Regulations 2016 (GDPR) and the Data Protection Act 2018 (DPA) came into force on 25th May 2018. GDPR is a European Union (EU) implemented legal framework; the regulations apply to all organisations which transfer data within and outside the EU where the data relates to EU living individuals. The requirements under the regulation are far wider than those under the Data Protection Act 1998 (DPA); for example, there is an accountability requirement where organisations must demonstrate how they adhere to the GDPR principles. GDPR applies to data controllers and data processors; therefore, it applies to all organisations that process an EU individual's personal data, regardless of the organisation's actual location. The requirements of GDPR are enshrined in UK law within the DPA 2018 legislation.</p> <p>The fines imposed under GDPR are significantly higher than those under DPA 1998. For significant data breaches the fine imposed can be up to 4% of annual worldwide turnover or EUR20m, whichever is higher. Failure to report a data breach within 72 hours can lead to a fine of EUR10m or 2% annual worldwide turnover.</p> <p>The council has a number of Data Sharing Arrangements. The council has a Data Protection Policy which can be used as a template when producing a new Data Sharing Arrangement.</p>

Summary of Key Recommendations
<p>The key recommendations arising from the audit are:</p> <ul style="list-style-type: none"> <li>All current and future DSA's should include all aspects of the most recent Data Sharing Code of Practice. Current DSA's should be enhanced if required when next reviewed.</li> <li>To provide assurance that consent has been sought and approved by the individual whom the data relates to, the council should include as a standard Appendix to DSA, the model consent form recommended by the ICO.</li> </ul>

## Executive Summary

Our Assurance Opinion: <b>SUBSTANTIAL</b>								
No. of Assurances Over Control Areas Reviewed					No. of Recommendations & Priorities			
Full	Substantial	Limited	No	Total	High	Medium	Low	Total
1	2	1	0	4	0	6	0	6

Overall Objective and System Background
<p>As part of the Internal Audit Plan for 2019-20, an audit has been undertaken to gain assurance that regeneration and economic/business development is being delivered through the Council where appropriate that provides local benefits to communities, businesses and to the Council.</p> <p>The Regeneration and Economic Development team sits within the Assistant Director Regeneration, Housing and Place remit and comprises of:</p> <ul style="list-style-type: none"> <li>• Strategic Regeneration and Economic Development</li> <li>• Business Development</li> <li>• LEP Liaison</li> <li>• Tourism and Place Marketing</li> <li>• Heritage Action Zone</li> <li>• Future High Streets and Towns Funds</li> <li>• Funding Bids</li> </ul> <p>In terms of strategy/priority of local economic development/regeneration the New Anglia Local Enterprise Partnership (NALEP) strategy underpins our local priorities and strategies and is critical to our local priorities/strategies. We do not have any recent cabinet endorsed or any other type of strategy documents in place at this current moment in time.</p> <p>At the time of commencing this audit 2 large investment funds were being followed up, the “Towns Fund” and the “Future High Streets” to the value of around £25m each of “matched funding” over a 10-year period (works must commence within 7 years). Requirements of this funding are the creation of a “Town Investment Plan” and a Board. The Board is made up of local business representatives and Council representatives. An evidence base was established for the “Town Investment Plan” by consultants “Metro Dynamics”, part of this evidence base included:</p> <ul style="list-style-type: none"> <li>• Urban Strategy</li> <li>• NALEP Strategy</li> <li>• Nelson Quay paper</li> <li>• Strategic Housing Market Assessment (SHMA)</li> <li>• Local Plan</li> <li>• Skills information from NALEP and Norfolk County Council</li> </ul> <p>As such the Town Investment Plan is likely to shape the strategy and direction of the Council’s Economic Development and Regeneration for the future.</p> <p>There are no overarching regulatory duties or requirements for economic development or regeneration purposes (each individual project within the pipeline of regeneration and economic growth projects will have internal regulations specific to the project).</p> <p>The team has various front facing services that it delivers such as local business support, site development, participation with community groups and general development services being provided.</p>

### Summary of Key Recommendations

The key recommendations arising from the audit are:

- The Council needs an overarching corporate economic development and regeneration strategy to encompass all projects / initiatives and how they meet the corporate business objectives and aspirations of the Council. This should be a cabinet approved document.
- The Council's overarching corporate economic development and regeneration strategy should reflect and capture the organisational aspirations of the Council (including the objectives that underpin the Council's Corporate Business Plan for 2020 – 2024) in terms of sustainability, climate change, carbon reduction, protecting our local environment as well as other matters such as protecting our communities from flooding.
- Within the review of Management Team and the inclusion of a new programme management and monitoring regime, roles and responsibilities need to be clearly identified and set out for the life cycle of projects/initiatives and their performance/progress monitoring requirements. There needs to be clarity between the various roles and the responsibilities under each role within the strategic, project development, client management, project delivery.
- An overarching document should be produced, or the Schedule of the Council's Major Projects Programme should be enhanced to provide details of ALL ongoing projects, the funding source for each project and overall budget allocation for each project, the name/job title of the lead officer, and the current position/progress that has been made with the project and the priority of the project against other projects that are in progress. Thus, allowing effective monitoring of projects to take place and to understand pinch points in projects and resourcing of projects more effectively.
- Consider a full review of the types of brochures, guides and leaflets the Council produce for tourism purposes, based upon a cost versus benefit exercise and compared to the wider audience being reached on the digital tech promotion pages and platforms as well as the ability to keep the digital tech platforms more up to date.
- Utilise any time/resources savings identified through the review of the types of brochures, guides and leaflets the Council produce for tourism purposes, and invest this into the continued growth of the digital tech platforms to promote West Norfolk to a wider audience.