

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	24 June 2024		
TITLE:	Internal Audit Annual Opinion & Report 2023-24		
TYPE OF REPORT:	For noting and consideration		
PORTFOLIO(S):	All		
REPORT AUTHOR:	Teresa Sharman, Head of Internal Audit		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

<p>PURPOSE OF REPORT/SUMMARY:</p> <p>This report concludes on the Internal Audit Activity undertaken during 2023/24, it provides an annual opinion concerning the organisation's framework of governance, risk management and control and concludes on the effectiveness of internal audit and provides key information for the Annual Governance Statement.</p>
<p>KEY ISSUES:</p> <p>The Head of Internal Audit is able to give a reasonable / limited opinion on the framework of governance, risk management and control overall at the Council. Improvement in governance or the control environment is needed in some areas.</p>
<p>OPTIONS CONSIDERED:</p> <p>N/a</p>
<p>RECOMMENDATIONS:</p> <p>The Committee is requested to: -</p> <ul style="list-style-type: none"> • Receive and consider the contents of the Annual Opinion Report of the Head of Internal Audit. • Note that a reasonable / limited audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2024. • Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration when developing and reviewing the Council's Annual Governance Statement for 2023/24. • Note the outcomes of the Internal Audit's performance measures and the Quality Assurance and Improvement Programme (QAIP).
<p>REASONS FOR RECOMMENDATIONS:</p> <p>In receiving this report, the Audit Committee is fulfilling their terms of reference in monitoring internal audit activity.</p>

REPORT DETAIL

1. Introduction

This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.

2. Proposal

The report sets out the Head of Internal Audit's annual opinion on the framework of governance, risk management and control.

3. Issues for the Panel to Consider

Members should note the Head of Internal Audit's annual opinion and the reasons for this.

4. Corporate Priorities

Good governance.

5. Financial Implications

None.

6. Any other Implications/Risks

None.

7. Equal Opportunity Considerations

None.

8. Environmental Considerations

None.

9. Consultation

N/a.

10. Conclusion

The Head of Internal Audit's annual opinion is 'Reasonable / Limited' assurance in relation to the framework of risk management, governance, and internal control.

11. Background Papers

Appendix A – Internal Audit Annual Opinion Report 2023/24

EASTERN INTERNAL AUDIT SERVICES



Borough Council of
**King's Lynn &
West Norfolk**



BOROUGH COUNCIL OF KING'S LYNN AND WEST NORFOLK COUNCIL

Internal Audit Annual Opinion Report 2023/24

Head of Internal Audit: Teresa Sharman

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Summary: Internal Audit Work 2023/24

19
Audits Completed in 2023/24

10
High Recs Issued

31
Medium Recs Issued

64
Low Recs Issued

Head of Internal Audit's Opinion 2023/24

Substantial

Reasonable

Limited

No



HOIA opinion – Reasonable / Limited
13 positive opinions of which 4 were 'substantial'
3 'limited' opinions

Executive Summary

Purpose

The Head of Internal Audit should provide an annual report, detailing its opinion on the framework of governance, risk management and control, to those charged with governance to support the Council's Annual Governance Statement (AGS).

This report should include the following: -

- An opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Detail a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any control weakness considered by the Head of Internal Audit to be relevant to the preparation of the AGS;
- A summary of the work undertaken during the year to support the opinion, including any reliance placed on the work of other assurance bodies;
- An overall summary of the performance of the Internal Audit Service against its performance indicators; and
- The results of the internal audit quality assurance programme, including details of compliance with Internal Audit Standards.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Background

The Internal Audit Service for the Council is provided by the Consortium, Eastern Internal Audit Services, hosted by South Norfolk Council, which utilises the services of a contractor, TIAA Ltd.

All audit work is completed in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors, directed by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note 2019.

Internal audit provides an independent and objective opinion on the Council's internal controls by evaluation their effectiveness and operation in practice.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

This opinion statement is provided for the use of the Council in support of its AGS for the year ended 31 March 2024.

Head of Internal Audit Annual Opinion Statement

Opinion

In summary

I have considered the audit work for 2023/24 for the Council and am able to provide **Reasonable / Limited Assurance** in relation to the framework of risk management, governance, and internal control.

In detail

My opinion is based on the audit work completed in 2023/24, other third-party assurances and the relative materiality of the issues arising from audit work as well as management's progress in addressing any control weaknesses identified. There are some areas which require the improvement of governance or internal controls to ensure the achievement of the Council's objectives where limited assurance was provided and urgent recommendations made.

In arriving at my overall annual opinion: -

- I have considered the outcomes of all audits completed in 2023/24, particularly, the three limited' assurance opinions as detailed below which highlights weaknesses in the safeguarding of assets and the management of capital projects.
- I have considered the outcomes of the advisory work completed on West Norfolk Property Limited and West Norfolk Housing Company Limited as detailed below which highlights weaknesses in the governance arrangements.
- I have considered management's progress with addressing outstanding recommendations from previous years as detailed below which highlights that much improvement is needed in implementing recommendations.
- Reliance has not been placed on any third-party assurances.

Limited opinions

Three limited assurance opinions have been issued in 2023/24 and key control weaknesses were identified as detailed below. These control weaknesses represent unresolved risks and should be considered for inclusion within the Council's Annual Governance Statement where the recommendations to address these remain outstanding at year end.

Starters, Movers and Leaves (Final report issued September 2023)

Two of the three high recommendations relating to adding new starters to and removing leavers from the network have been completed. The other remains open and is overdue and is in relation to: -

- A full review of assets and equipment held across the organisation is needed and the ICT Asset Register updated accordingly.

This control weakness affects the ability of the Council to safeguard its assets.

Capital Programme (Final report issued April 2024)

- Four high recommendations were raised in relation to the monitoring and oversight, and establishment of decision-making procedures for 'operational scheme' projects, particularly for change control, and resourcing the Project Management Office to enable this all. The final recommendation relates to reviewing and updating the Asset Management Plan and using this to feed the Capital Programme. 'Operational scheme' projects account for circa £21M in the current 2022/23 to 2026/27 capital programme.
- A further six medium recommendations were also raised in relation to the governance of the capital programme.

These control weaknesses impact on the ability of the Council to manage projects effectively and deliver them on time and within budget.

The due dates range from September 2024 to March 2025 for all these recommendations.

Public Open Spaces (Final report issued December 2023)

- Three high recommendations were raised in relation to reviewing the Tree and Woodland Strategy to ensure progress is being made, ensuring other relevant policies and strategies have taken account of this Strategy, and reviewing the tree management recording system regarding its efficiency and effectiveness. The former two recommendations have due dates of June 2024 and the latter March 2024 which remains open and is overdue.
- A further two medium recommendations were raised regarding the monitoring and reporting of KPIs. One of these is completed and the due date for the other is June 2024.

These control weaknesses impact on the Council's ability to understand progress with this strategy and how other policies, strategies and plans are affected by it, and report information to management.

Position Statements

Two position statements on Council's Local Authority Trading Companies (LATCOs), West Norfolk Property Limited and West Norfolk Housing Company Limited were issued in 2023/24. Both advisory pieces of work

assessed the strategic and governance arrangements at both companies against the Local Partnerships' Local Authority Company Review Guidance.

West Norfolk Property Limited

Actions for improvement were made in relation to: -

- Finalising key governance documentation for the Company such as articles of association, shareholder's agreement, the Business Plan, the Service Level Agreement (SLA), financial agreements etc.
- Review and update the Risk Register and Business Plan.

This all impacts on the ability of the Company to function within applicable laws and regulations and as intended to fulfil its purpose.

West Norfolk Housing Company Limited

Actions for improvement were made in relation to: -

- Signing key governance documentation.
- Updating costs within the SLA to give a true picture of service costs.
- Establishing some performance measures for monitoring.

This all impacts the ability to effectively monitor the Company.

Third party assurances

No third-party assurances have been relied upon.

Outstanding Recommendations

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end 2023/24 is that 80 recommendations crossing the years 2018/19 to 2023/24 are outstanding which has been accounted for in my overall annual opinion. The table below shows the numbers by the year in which they were raised for high and medium recommendations: -

Audit Year	No. Outstanding	No. of High	No. of Medium
2018/19	3	0	3
2019/20	5	0	5
2020/21	1	0	1
2021/22	10	5	5
2022/23	8	1	7
2023/24	11	2	9
Totals	38	8	30

The five high recommendations in 2021/22 relate to the Capital Programme audit (3) and Alive West Norfolk (2) audits.

The one high recommendation in 2022/23 relates to the Procurement and Contract Management audit.

The two high recommendations in 2023/24 relate to the Public Open Spaces audit (1) and the Starters, Movers and Leavers audit (1).

Please refer to the separate Recommendations Follow Up report June 2024, which shows the details of the progress made to date in relation to the implementation of agreed recommendations, and which also provides an update from management regarding all outstanding recommendations.

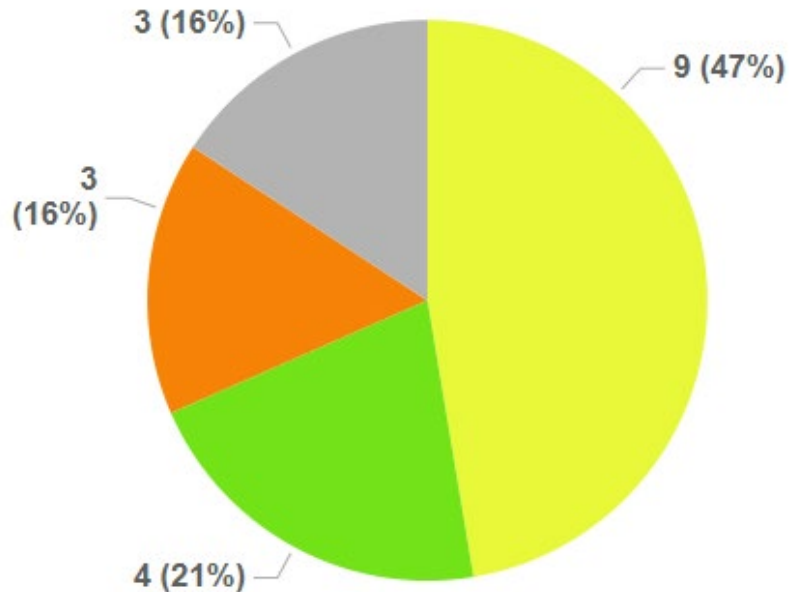
Although some progress has been made in implementing recommendations this year, too many recommendations remain outstanding with 35 overdue by 365+ days and 68 overdue by 100+ days. This has been highlighted to the Senior Leadership Team.

Cyber Security Follow Up

A separate follow up on the 2022/23 Cyber Security audit was completed in 2023/24; three of the nine actions for the partially in place controls are implemented. The actions for the one red, three amber and two of the four green controls, which were partially in place, are still being implemented.

Audit Outcomes

Below is the spread of audit opinions across audit work completed in 2023/24, Two of the 19 audits were advisory work. For a detailed summary of audit work completed, please refer to Appendix 1.



Audit work in 2023/24 covered corporate areas, service areas, governance, finance systems, housing benefits, and council tax billing and business rates.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed, and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed, and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.
Position Statement	Advisory work and Follow Up work.

Appendix 2 shows the assurances provided over previous and current audit years to provide an overall picture of the control environment.

Performance Measures Outcomes

Internal Audit PM Outcomes

Detailed below are the outcomes of the in-house Internal Audit Team's performance measures which relate to the delivering internal audits for the Council. Currently the Team has one KPI which is for client feedback. The table below shows the outcome for this KPI.

KPI Client Feedback
3 out of 18 returned
Average score – 4, very good

The range for the possible scores is, 5 - excellent and 1 – very poor.

Actions to Improve

As the tables above highlight, very few client feedback surveys were returned. During 2024/25 the Head of Internal Audit will review the survey with a view to making it shorter, focusing on a small number of questions to aid a higher return rate.

The Head of Internal Audit will also help the in-house Team develop some more operational KPIs which will inform the Team's performance in delivering internal audits and value for the Council.

Quality Assurance and Improvement Programme (QAIP)

QAIP

To comply with Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP) which must include both internal and external assessments. There are three requirements as follows: -

- Ongoing monitoring of the performance of the internal audit activity. This refers to the day-to-day supervision, review and measurement of internal audit activity that is built into policies and routine procedures. The day-to-day monitoring of audit engagement is completed by the Contractor and progress with audit work and plans are monitored by the EIAS through weekly operational and quarterly performance meetings with the Contractor, and by review and approval of audit outputs, as well as by an evaluation of the Contractor's performance against our suite of KPIs.
- Periodic self-assessments to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Core Principles, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. A self-assessment is completed annually.
- External assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

The results of the QAIP are reported to the Audit Committee each year as part of this annual report.

The Internal Audit Team within EIAS maintain a QAIP which covers internal and external assessments and was detailed within your Strategic and Annual Plan Report 2024/25 to 2026/27.

Internal Assessment

A checklist for conformance with the PSIAS and the CIPFA Local Government Application Note 2019 was completed for 2020/21 and is reviewed for continuing compliance annually. This is a self-assessment which evaluates conformance with the PSIAS.

This annual self-assessment has not been completed in 2023/24. This is because the Global Internal Audit Standards (GIAS) have been released and will become effective on 1 January 2025. Our focus is now on completing a self-assessment against these to identify any gaps in conformance so that these can be addressed, and a report will be provided to the Audit Committee during 2024/25 on our conformance. A CIPFA version for the Public Sector is expected during 2024.

(Note: the PSIAs are based on the mandatory elements of the IPPF).

External Assessment

An external quality assessment (EQA) evaluates conformance with the IPPF.

An EQA was carried out in October 2022 by the Chartered Institute of Internal Auditors (IIA). The Internal Audit Service received a 'generally conforms' result, with conformance in 60 out of 64 areas (two areas were not applicable, and two resulted in 'partially conforms').

Progress with actions

One area of partial conformance was highlighted in coordinating and maximising assurance. Within the Strategic and Annual Plans report for the audit year 2023/24 presented in March 2023, an Assurance Map was provided, outlining the then top risks, along with first, second and third lines of assurance. This was not repeated for the 2024/25 audit year. It has been proposed to complete detailed assurance maps for at least one of the Council's corporate risks.

The second area of partial conformance was raised to ensure that all EIAS clients receive an external quality assessment as it falls due on the five-year anniversary. This will be ensured at the five-year anniversary in 2027.

Summary of Internal Audit Work 2023/24

Appendix 1

Audit Area	Status	Opinion	Total	High	Medium	Low
Counter Fraud and Corruption Framework	Final	Substantial	3	0	0	3
Council Tax and NNDR	Final	Substantial	1	0	0	1
Payroll and HR	Final	Substantial	0	0	0	0
Local Council Tax Support and Housing Benefits	Final	Substantial	2	0	0	2
Key Controls and Assurance	Final	Reasonable	12	0	3	9
Land Charges	Final	Reasonable	10	0	4	6
Homelessness and Housing Options	Final	Reasonable	2	0	1	1
Corporate Governance	Final	Reasonable	11	0	4	7
Complaints and FOI	Final	Reasonable	13	0	5	8
Waste Management	Final	Reasonable	1	0	1	0
Housing Standards/HMO	Final	Reasonable	8	0	1	7
Economic Growth	Final	Reasonable	3	0	1	2
Community Infrastructure Levy	Final	Reasonable	5	0	1	4
Public Open Space incl. play areas, tree mgmt	Final	Limited	8	3	2	3
Capital Programme	Final	Limited	13	4	6	3
Starters, Movers, Leavers	Final	Limited	13	3	2	8
West Norfolk Housing Company Ltd	Final	Position Statement	0	N/a	N/a	N/a
West Norfolk Property Ltd	Final	Position Statement	0	N/a	N/a	N/a
Follow up of Cyber Security Risks	Final	Position Statement	0	N/a	N/a	N/a
Organisational Development - Training	-	Deferred	N/a	N/a	N/a	N/a
Cost Management Programme	-	Deferred	N/a	N/a	N/a	N/a
IT Governance	-	Deferred	N/a	N/a	N/a	N/a

Grant Certifications

The following grants were certified by EIAS during 2023/24: -

- Food Waste Collection Declaration P/e 2023/24
- Disabled Facilities Capital Grants P/e 2022/23

Audit Opinions by Year

The following chart shows the audit opinions for audits over the last three years: -

