

AUDIT COMMITTEE REPORT

REPORT TO:	Audit Committee		
DATE:	18 November 2024		
TITLE:	Internal Audit Progress Report		
TYPE OF REPORT:	For Information		
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

PURPOSE OF REPORT/SUMMARY: The Audit Committee receive updates on progress made against the annual Internal Audit Plan. This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.
KEY ISSUES: The current position in relation to the completion of the Internal Audit Plan 2024/25 is shown within the attached report.
OPTIONS CONSIDERED: N/a
RECOMMENDATIONS: The Audit Committee are requested to receive the Progress Report on Internal Audit activity.
REASONS FOR RECOMMENDATIONS: In receiving this report, the Audit Committee is fulfilling their terms of reference in monitoring internal audit activity.

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 progress with completing the 2024/25 Internal Audit Plan.

3. Issues for the Audit Committee to Consider

Members should note progress with completing the Internal Audit Plan and the report executive summaries, particularly the limited assurance opinions provided for some areas.

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

For Audit Committee to note that the 2024/25 Internal Audit Plan is now complete and the executive summaries of final reports.

11. Background Papers

Appendix A – Progress Report 2024/25

EASTERN INTERNAL AUDIT SERVICES



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



BOROUGH COUNCIL OF KING'S LYNN AND WEST NORFOLK

Progress Report 2024/25

Head of Internal Audit: Teresa Sharman

Contents

	Page
Progress at a glance	1
Executive Summary:	
Introduction	2
Background	2
Changes to the 2024/25 Audit Plan	2
Progress to date and audit outcomes	3
Progress with actions to improve performance	5
Appendix 1 - Summary of Audit Work 2024/25	6
Appendix 2 – Final Report Executive Summaries	8
Appendix 3 – For Your Information	20

Progress at a glance

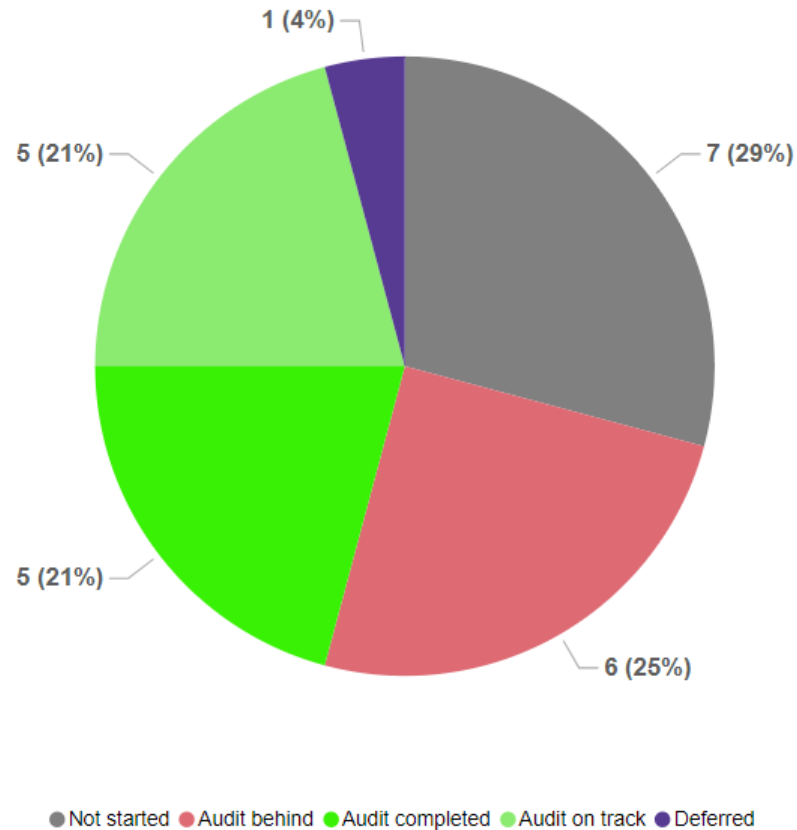
24
Audits in 2024/25 Audit Plan

0
Sum of High

11
Sum of Medium

9
Sum of Low

17
Sum of Imp Actions



Final reports issued
- 5

1 – Substantial assurance, 2 – Reasonable assurance, and 1 Limited assurance

Risk maturity of Council assessed as 'risk defined'

Executive Summary

Introduction

Under the Global Internal Audit Standards (GIAS), 'The chief audit executive (Head of Internal Audit) must provide the board with the information needed to conduct its oversight responsibilities.' In particular, 'Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results.' and 'The chief audit executive must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate.'

Under the Committee's terms of reference, the Committee should receive updates on the work of internal audit, including key findings, issues of concern and action in hand from internal audit work and consider summaries of specific internal audit reports.

This report is to assist the Committee in discharging its responsibilities in relation to internal audit activity.

Background

The Internal Audit Service for the Council is provided by the in-house team at the Council, with the Head of Internal Audit provided by the Eastern Internal Audit Service (EIAS).

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

Changes to the 2024/25 Audit Plan

Since the Internal Audit Plan was approved, the following changes have been made:-

Audit	Nature of the change
Applications Audit – Revenues and Benefits system	This audit has been deferred due to staff illness and capacity to fulfill the audit in a busy period. Quarter 2 was agreed for the audit to take place in 2025/26.

Progress to date and audit outcomes

Progress with audit work

The current position in completing audits to date is shown in **Appendix 1**.

Quarter 1

All the five audits in this quarter have now reached final report stage. The table below details the assurance opinions provided and the number of recommendations made.

Quarter 2

Of the seven audits in this quarter, the Elections and Electoral Services audit has been moved to quarter 4, the Environmental Health – Food Health and Safety audit has been moved to quarter 3 and Data Protection audit has been moved from quarter 3 to 2.

All six remaining audits in this quarter are behind due to either auditor sickness, delays in receiving information from the services areas, difficulties in arranging kick off meetings for the audit, juggling priorities in service areas and within the Audit Team, and meeting apprenticeship requirements.

For the Accounts Payable audit, the Audit Team are using data analytics for some of their audit testing, to undertake full population testing. Getting reports from the finance system to enable this has been difficult and held up this audit.

Quarter 3

Initial audit planning work has commenced on quarter 3 audits. The Applications audit on the Civica, revenue and benefits system is being completed by the Eastern Internal Audit Services' contractor, TIAA.

Audit Outcomes - Final Reports

Contract Management

The Contract Management audit has a limited assurance opinion. The main issues are around contract monitoring which can be informal, as part of ongoing discussions rather than through scheduled regular meetings, reports and KPIs, and there is not sufficient formal senior management monitoring of contract managers and the contracts managed and monitored by them. The Contracts Register is not update to date, and contracts are not held in one central place. There is no contract management training for managers who

manage contracts, although the CSOs refer to the need for Contract Managers to attend such a course. The Executive Summary for this report in Appendix 2 provides further details.

Council contracts are circa £330m in total value. Poor contract management may mean that contract obligations are not being fulfilled and / or poor performance or service is not being identified and corrected.

Final reports

During quarter 1 and 2, the reports detailed in the table below have been finalised.

Audit	Assurance Level	High Recs	Medium Recs	Low Recs
Corporate Health and Safety	Reasonable	0	2	2
Housing Strategy - Homelessness Strategy	Substantial	0	0	0
Risk Management	Risk Defined	0	4	0
Accounts Receivable	Reasonable	0	1	5
Contract Management	Limited	0	4	2
Total	-	0	11	9

The Executive Summary for final reports issued, and the recommendations made in the period are provided in at **Appendix 2**, and a full copy of the report can be requested by Members.

Progress with actions to Improve poor performance

Progress with actions being taken to improve contractor performance is outlined below: -

Client feedback surveys - 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. **This has been completed; a survey with six questions is now in place. Out of the three surveys sent out so far only one has been returned which has an overall score of 'excellent'.**

Develop some more operational KPIs which will inform the Team's performance in delivering internal audits and value for the Council. **This is still to be moved forward.**

Summary of Audit Work 2024/25

Appendix 1

Audit Area	Status	Opinion	Total Recs	High	Medium	Low	Imp Actions	Qtr
Risk Management	Audit completed	Risk Defined	4	0	4	0	3	1
Contract Management	Audit completed	Limited	6	0	4	2	7	1
Corporate Health & Safety	Audit completed	Reasonable	4	0	2	2	3	1
Accounts Receivable	Audit completed	Reasonable	6	0	1	5	4	1
Housing Strategy - Homelessness Strategy	Audit completed	Substantial	0	0	0	0	0	1
Elections & Electoral Services	Not started	-	0	0	0	0	0	Was 2, now 4
Accounts Payable	Audit behind	-	0	0	0	0	0	2
Vehicle Fleet	Audit behind	-	0	0	0	0	0	2
Care and Repair Agency (home improvement agency funded through the Better Care Fund (BCF)) (Handyman Service)	Audit behind	-	0	0	0	0	0	2
Flood and Water Management (coastal and surface water)	Audit behind	-	0	0	0	0	0	2
Data Centre	Audit behind	-	0	0	0	0	0	2
Data Protection	Audit behind	-	0	0	0	0	0	Was 3, now 2

Audit Area	Status	Opinion	Total Recs	High	Medium	Low	Imp Actions	Qtr
Environmental Health - food health and safety (food premises' inspections)	Not started	-	0	0	0	0	0	Was 2, now 3
Financial Sustainability - Cost Management and Income Generation Plan (CMIG)	Audit on track	-	0	0	0	0	0	3
Car Parking & Civil Enforcement	Audit on track	-	0	0	0	0	0	3
Property Services (Commercial & Management)	Audit on track	-	0	0	0	0	0	3
Development Management - Planning and Enforcement	Not started	-	0	0	0	0	0	3
S106 Agreements	Audit on track	-	0	0	0	0	0	3
Application Audit - Civica (Revenues and Benefits system)	Deferred	-	0	0	0	0	0	3
Legal Services	Not started	-	0	0	0	0	0	4
Key Controls	Not started	-	0	0	0	0	0	4
Income	Not started	-	0	0	0	0	0	4
Economic Growth (incl. use of external grants received) (St George's Guildhall)	Audit on track	-	0	0	0	0	0	4
Network Infrastructure	Not started	-	0	0	0	0	0	4

Grant Certifications

The following grants have been certified by EIAS so far during 2024/25: -

- Disabled Facilities Capital Grants P/e 2023/24

INTERNAL AUDIT FINAL REPORT

- Housing Strategy – Homelessness Strategy
- 25 July 2024

Executive Summary

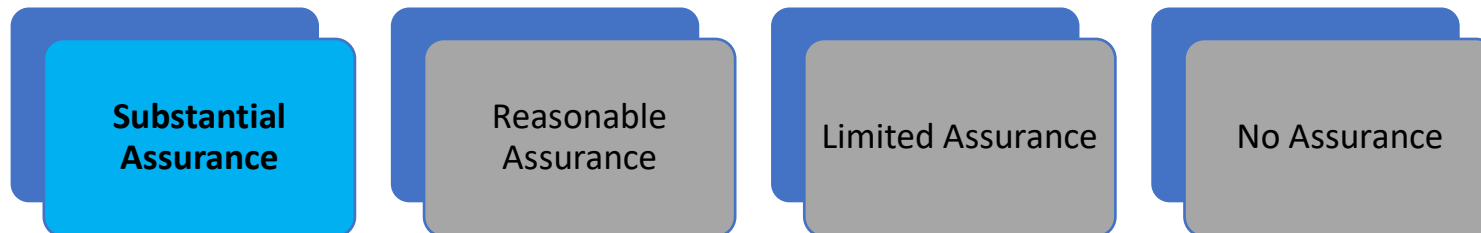
Engagement Background

The recently commissioned Housing Needs Assessment 2024 addresses two main concerns. Firstly, to provide a robust and up-to-date evidence base to support the Borough Council of Kings Lynn and West Norfolk’s housing policy. Secondly, to identify insights to support strategic investment decision-making regarding how the Council can intervene and actively participate in the housing market to support delivery of its policy objectives.

A key role for the Council is to provide a framework within which the housing market in the Borough can function smoothly, intervening as necessary where there is evidence of entrenched or emerging market failures.

The Council should be active in engaging directly in development where the market is failing to deliver or delivering a poor quality of service or product.

The Regeneration, Housing, and Place Directorate Plan has been recently reviewed and includes previous and newly added KPIs for homelessness, which are outlined within the relevant Directorate Plan.



Summary of Our Opinion

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.

We can provide assurance that the Council will have in place a renewed Homelessness Strategy, for adoption within the required five-year review and renewal period (January 2025), which has been informed by a homelessness review, that took account of Central Government's Homelessness Code of Guidance for Local Authorities.

The Homelessness Strategy is aligned with the current housing needs and demands and is aligned with the Council's aims and objectives. A housing need assessment is currently being undertaken and is due to be completed in 2024.

Risks and Key Performance Indicators (KPIs) related to the Homelessness Strategy are monitored and reported to relevant management and Members in a timely manner.

Data used for the recent Housing Needs Assessment was found to be accurate and complete, with the results being used to help inform strategic decisions going forward. The Homelessness Strategy is flexible and adaptable for future needs, and risks are appropriately identified, assessed, prioritised, and mitigated.

Overall Objective		
The overall objective of the engagement is to gain assurance that the Council's housing strategy governance, control processes, and risk management are robust and effectively address homelessness challenges in the borough.		
Control Objectives	Recommendation Number Reference & Priority Level	
	High	Medium
1. Appropriate governance controls are in place.		None
2. Appropriate management reporting and monitoring is in place.		None
3. Appropriate controls are in place for the recording and management of the housing strategy.		None
4. Appropriate risks have been identified and are managed effectively.		None

Summary of Key Recommendations

No recommendations have been raised.

Good Practice and Other Points to Note

- The audit reviewed three main documents which were the following: -
 - Homelessness Strategy 2024-2029
 - Housing Needs Assessment 2024
 - Economic Strategy (draft July 2024)

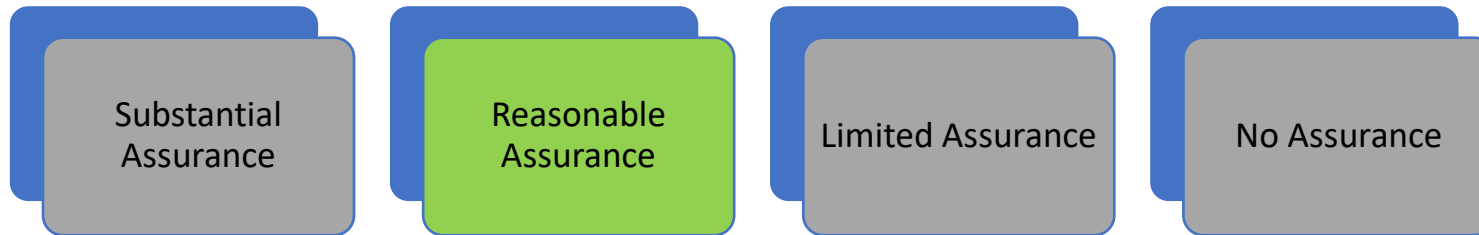
All three documents have their own stated aims and objectives but there is a thread through them all which links them together. All documents have areas that relate to each other, and the information reported within each document is consistent. This allows alignment with the Council's Corporate Aims and Objectives to easily be seen.

- Ideally the information and data contained within these documents, would have been available to inform decisions made around the works/projects to be included within the funding received for the Town Investment Plan, the King's Lynn Transport Strategy, and other funding streams available to BCKLWN. Unfortunately, these documents were not in place prior to these funding opportunities but should be used to identify additional works/projects if further funding streams become available.

Executive Summary

Engagement Background

The Health, Wellbeing & Public Protection Directorate Plan 2023-27 includes one Service Level Priority relating to Corporate Health & Safety – “Review of the Council’s Health, Safety & Welfare General Policy identifying where further advice and information is required”. This is linked to the Corporate Business Strategy Priority of “Efficient and effective delivery of our services”.



Summary of Our Opinion

Based upon the issues identified, there is a series of internal controls in place; however, these could be strengthened to facilitate the Council’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.

Internal Audit can provide assurance that comprehensive health and safety policies and procedures are in place, corporate health and safety matters are regularly reported to officers and Members, effective communication channels operate to disseminate health and safety information to officers, procedures are in place to help protect staff from violent behaviour, and health and safety risks are identified and assessed, with appropriate mitigations in place.

Control weaknesses were identified in the following areas:

- lack of staff awareness of the importance of reporting “near misses”;
- reports do not clearly show those staff who have completed each Health & Safety e-learning training module;
- lack of regular refresher Health & Safety training for staff;

➤ the Health, Safety & Welfare General Policy does not include the roles and responsibilities of the Corporate Health & Safety Department team and does not detail the structure in place for the reporting and review of health & safety. Improving these control weaknesses would take the overall assurance opinion to the desired standard of Substantial.

Overall Objective			
The overall objective of the audit was to gain assurance that robust health and safety governance, control processes and risk management arrangements are in place to effectively mitigate health and safety risks across the Authority. The review covered the reporting of accidents, incidents and near misses, procedures in place to protect staff from potentially violent customers and visitors, and staff training on health and safety procedures and protocols.			
Control Objectives	Recommendation Number Reference & Priority Level		
	High	Medium	Low
1. Robust governance arrangements are in place relating to Health & Safety.		1	3
2. Robust arrangements are in place to protect staff from potentially violent customers and visitors.	None		
3. Risk Assessments identify areas of concern relating to Health & Safety hazards/risks.	None		
4. Relevant staff receive appropriate training on Health & Safety procedures and protocols.		2	4
5. Risks relating to Health & Safety have been identified and are managed effectively.	None		

Summary of Key Recommendations

Two medium priority recommendations have been raised as follows:

- Awareness of the importance of reporting “near misses” should be raised with officers. A Staff Briefing should be issued reminding staff of the importance of reporting “near misses”.
- The Learning Hub’s e-learning reports should be reviewed and revised so that they capture all of the relevant data, enabling management to be aware of the percentage of relevant staff who have successfully completed their e-learning training. Where the percentage for completion rates are low, staff should be encouraged to complete relevant e-learning courses. Where certain e-learning training is mandatory for an officer’s specific job role, it should be ensured that they complete the relevant course.

Good Practice and Other Points to Note

- The Reporting of Injuries, Diseases and Dangerous Occurrence Regulations (RIDDOR) is usually undertaken within Health and Safety Executive's (HSE) timeframes. Of 11 RIDDOR reports reviewed, four were not reported within the stated deadlines; however, this was due to delays in diagnosis or issues with the HSE IT system requiring reports to be submitted twice.

**INTERNAL
AUDIT FINAL
REPORT**

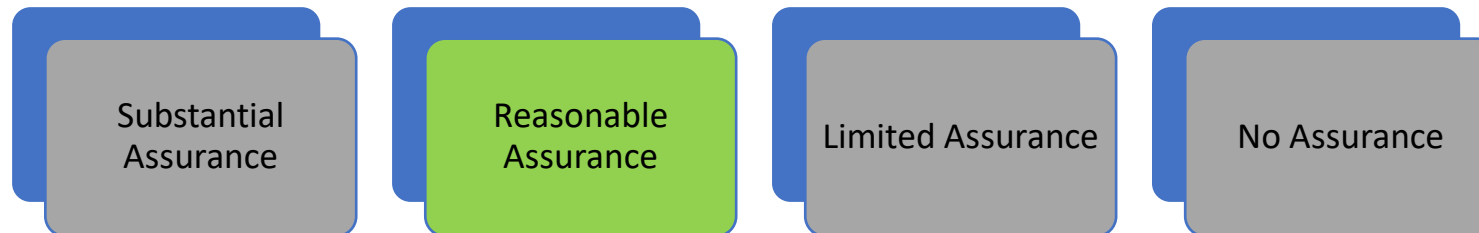
- Accounts Receivable Audit
- 30 July 2024

Executive Summary

Engagement Background

Our Council, as well as other local councils, face challenges in levelling up communities and supporting residents through the cost-living-crisis due to the significant increase in inflation and energy costs, meaning that any savings or income generating options are quickly outweighed and greatly impact the Council's Financial Plan.

Within the 2023/24 financial year, in which this review focused on, the total number of invoices that were raised equalled to 40,237 and the total income value came to £25,958,006.78 for sundry debt. This represents how the individual roles within the Income Team, play an important part in helping the organisation generate income to provide its statutory services.



Summary of Our Opinion

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.

We can provide assurance that invoices for income due to the Council are raised timely and accurately and are accounted for correctly on the general ledger, outstanding debt is monitored, chased timely, and credit notes are raised timely and are authorised appropriately.

Control weaknesses were found within information governance; currently electronic records for income are not being disposed of in accordance with the Council's Records Retention and Disposal Policy which means the Council is not complying with the GDPRs which states that data should not be hold longer than is needed. A large amount of information held was over the six-year retention period. Improving this would take the assurance opinion to the desired standard (Substantial).

Overall Objective

The overall objective of the engagement was to gain assurance that the Council's Accounts Receivable operations are robust to help mitigate the 'very high' risk, as outlined within the Corporate Risk Register (SR1), associated with financial sustainability and to test existing processes to ensure customers are invoiced correctly.

Control Objectives	Recommendation Number Reference & Priority Level		
	High	Medium	Low
1. The Council's Accounts Receivable operations adheres to relevant legislation and in-house policies and procedures.		1	2 & 3
2. Invoices are generated in a precise and timely manner by competent officers.			4
3. Accounts Receivable transactions are accurately recorded and reconciled.	None		
4. Mechanisms are in place to monitor and follow up on overdue Accounts Receivable.			5 & 6
5. Effective risk identification and mitigation controls are in place and are monitored accordingly.	None		

Summary of Key Recommendations

One medium priority recommendation has been raised as follows:

- Ensure that the Income folder within the Accountancy Drive is reviewed and all information stored past the retention period of 'current + 6 years' is disposed of and follow the 'Records Retention and Disposal Policy' and the 'Data Retention Schedule – Resources' going forward. Due date for this to be implemented is set for the 30th of September 2024.

Good Practice and Other Points to Note

- The Council is responsible for the periodic review of the Financial Regulations, and it has been observed that the document is not up to date with best practice guidance and previously, recommendations have been raised to ensure this within a number of different audit reviews. The Financial Services Manager agreed to undertake a light touch review of the Financial Regulations in light of the forthcoming full review of the Authority's Constitution due to be undertaken by Legal Services, with the hopes of having it done by February 2025.
- As per the previous Accounts Receivable Audit in 2022/23, the Council should ensure a 'Corporate Debt Recovery Policy' is created. Current work is being undertaken to have this in place so that a corporate process of dealing with outstanding balances is available not only to all staff but to customers as well. Currently staff follow their individual departmental procedures relevant to their customer group.
- Currently, within the Income Team, work is being undertaken whereby Unit 4 would automatically generate reminder letters to customers after missing a payment due date for licencing services, extending it to an additional 14 days. If this is missed, the licence would be suspended or revoked.
- The Accounts Payable / Accounts Receivable Supervisor is currently undertaking work to implement authorisation controls into Unit 4 for debt write-offs. This will provide an audit trail within the system and will prevent individuals from authorising write-offs where they have no such powers. This will also ensure that all information relating to write-offs is stored in one place and is secure.

**INTERNAL
AUDIT FINAL
REPORT**

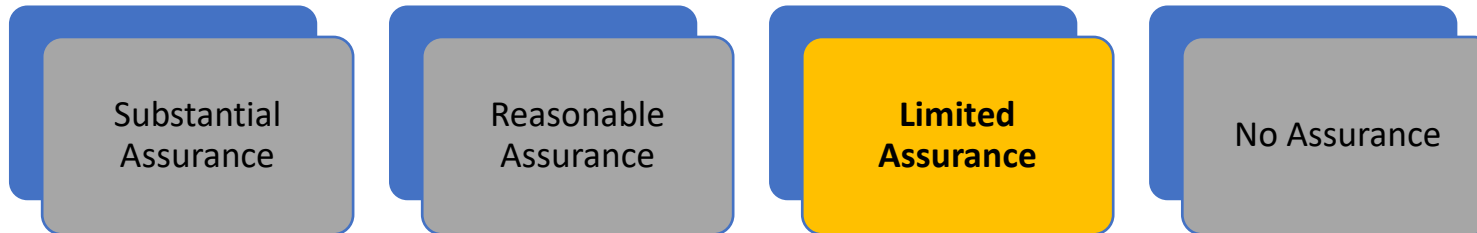
- Contract Management
- 29th October 2024

Executive Summary

Engagement Background

Within the Programme and Project Delivery Directorate Plan 2023-2027, there is Service Level Priority for Procurement which states “The transformation of the procurement and contract management service, revising the Procurement Strategy to align with the Procurement Act and revisions to Contract Standing Orders to modernise the way the council delivers services for the benefit of residents and communities.”

The Council had 86 contracts listed in the Contracts Register as of 30th May 2024, with an overall value of circa £330M. The Top 10 contracts had an overall value of circa £133M, which equates to 39.39% of the overall value of contracts registered.



Summary of Our Opinion

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.

Control weaknesses were found within the management and monitoring of contracts. Contract monitoring was found to be undertaken in ongoing discussions rather than formalised regular performance review meetings with documented minutes or actions and relevant KPIs are not always in place to monitor performance. Both are key responsibility requirements detailed in Appendix 10 of the CSOs for Contract Managers. Contract Management Plans are also not kept up to date or fully completed.

Although KPIs and regular review meetings are included in tender specifications, this does not get included in contracts.

There is no contract management training for managers who manage contracts, although the CSOs refer to the need for Contract Managers to attend such a course.

In some cases, contracts are being stored on local drives. Both Legal Services and Procurement store contracts either in hard copy or electronically; however, it is known that not all contracts have been sent to them. Therefore, the Contracts Register maintained by Procurement is not up to date. This is a published document.

Formal senior management monitoring of contract managers and the contracts managed and monitored by them needs improvement so that there is assurance that contracts are being monitored and managed appropriately and the service procured is received to the standard required.

Improving these control weaknesses would take the overall assurance opinion to the desired standard of Reasonable.

Overall Objective			
To gain assurance that the contract management governance, control processes, and risk management in place within the Council are robust and capable of effectively managing and monitoring contracts, including contract extensions.			
Control Objectives	Recommendation Number Reference & Priority Level		
	High	Medium	Low
5. Appropriate governance controls are in place.	None		
6. Appropriate management reporting and monitoring is in place.		1-3	6
7. Appropriate controls are in place for the recording and management of contracts.		4	
8. Appropriate controls are in place for training regarding management of contracts.			5
9. Appropriate risks have been identified and are managed effectively.	None		

Summary of Key Recommendations

A total of four medium priority recommendations have been raised as follows: -

- Assistant Directors should: -
 - Make Contract Managers in their area aware of their roles and responsibilities (both key and general) regarding contract management as detailed in the current Appendix 10 of the CSOs or the forthcoming 'Procurement and Contract Management Officer Handbook' and ensure that regular contract performance review meetings are held where proportionate and relevant KPIs are explored and agreed where possible (noting unilateral changes to contracts cannot be imposed);
 - Implement a suitable process to monitor the contracts within their area. This could be a periodic review of contract management plans, RAG ratings on KPIs to be reported to them if a red rating is given, or an agenda item in team meetings; and
 - Ensure that Contract Managers in their area have fully completed and up to date contract management plans in place, where relevant.
- Procurement, Legal and Contract Managers should ensure that all new contracts include the requirement to establish, agree and monitor relevant KPIs, where proportionate to the value and nature of the contract, and hold documented regular performance monitoring meetings, at least quarterly.
- Contract management training should be provided to all managers who are responsible for managing and monitoring contracts.
- A 'Contract Retention Protocol' should be devised and rolled out and implemented ensuring that both the Legal Services team and the Procurement and Contract Management team are provided with all contracts with a value over £5,000.00.

Good Practice and Other Points to Note

- Current contract documentation is stored safely and is accessible only by relevant officers.
- Contractual risks are identified, managed, and monitored effectively, with senior management and Members informed of progress appropriately.

Definitions

Assurance Opinions: -

Substantial Assurance	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	There is a series of internal controls in place; however, these could be strengthened to facilitate the Council'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	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	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.
Position Statement	Advisory Work

Recommendation Ratings: -

High	A fundamental control process, or statutory obligation, creating the risk that significant fraud, error, or malpractice could go undetected.
Medium	A control process that contributes towards providing an adequate system of internal control.
Low	These issues would contribute towards improving the system under review and are of limited risk.