Agenda Item No:	8	
Committee:	**Corporate Governance**	
Date:	**7 February 2018**	
Report Title:	**Internal Audit Plan Progress Report Q3**	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2017/18 for the period 01 October 2017 including planned work until 31 December 2017 and the resulting level of assurance.

2 Key issues

- The Council's Internal Audit plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.

- The format of the plan reflects the Public Sector Internal Audit Standards which were introduced in April 2016 and applicable from April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.

- Corporate Governance Committee approved the Internal Audit Plan 2017/18 on 21st March 2017. Members of the Corporate Governance Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.

- At the last Corporate Governance Committee meeting a revised Internal Audit Plan was presented and approved. This report detailed changes to the auditing arrangements in place for ARP services – primarily Council Tax, Housing Benefits and Business rates. The report also included additional audits to be completed for this year's plan.

- Proactive quarterly monitoring of the Internal Audit plan will enable the Committee to understand the audit activity which has successfully taken place and the associated assurance level.

- The plan is risk based and covers the organisation's existing operations, while adding value by responding to emerging risks and promoting good governance. Proactive monitoring of the Internal Audit plan will therefore enable the Corporate Governance Committee to understand any in year changes to the plan and the associated risk based rationale for any proposed changes.

3 Recommendations

- For Members of Corporate Governance Committee to consider and note the contents of the report.

Wards Affected	All
Forward Plan Reference	
Portfolio Holder(s)	Councillor Mark Buckton-Corporate Governance Committee Chairman
Report Originator(s)	Kathy Woodward – Shared Internal Audit Manager
Contact Officer(s)	Kathy Woodward - Shared Internal Audit Manager kwoodward@fenland.gov.uk 01354 622230 Brendan Arnold - Corporate Director brendanarnold@fenland.gov.uk 01354 622201 Carol Pilson - Corporate Director cpilson@fenland.gov.uk 01354 622360
Background Paper(s)	Annual Risk Based Internal Audit Plan 2017/18 Revised Internal Audit Plan 2017/18 Internal Audit Plan Progress Report Q2

1   Background / introduction

1.1   This report includes details of the audit activity undertaken for the period 01 April 2017 to 31 December 2017, as well as the resulting opinion regarding the associated levels of assurance.

1.2   The annual internal audit plan is formulated in advance, following an assessment of risks inherent to services and systems of the Council based on internal audit and management knowledge at that time. During the period that follows, changes in the control environment may occur due to, for example: -

- introduction of new legislation/regulations,
- changes of staff,
- changes in software,
- changes in procedures and processes,
- changes in service demand,

1.3   To date the Internal Audit team have achieved a satisfactory level of planned audits and remain on course to successfully deliver the audit plan for 2017/18.

1.4   At the last Corporate Governance Committee meeting a revised Internal Audit Plan was presented and approved. Work has commenced on some of the additional audits included as a result of the revised plan.

1.5   In addition to delivery of the work on the Internal Audit Plan for 2017/18, follow up work has been completed in relation to recommendations made from the 2016/17 internal audit plan. Progress on these recommendations can be seen at Appendix B.

1.6   The team have also been providing advice to ongoing council projects, particularly Data Protection legislation and the new GDPR guidelines that will come into effect in May 2018

1.7   Audit work includes testing of system controls and management action plans have been agreed with the system owners including timescales for improvement appropriate to the level of risk. These action plans will be followed up by Internal Audit with the appropriate service manager. The table outlined in **Appendix A** provides a generalised indication of the corporate themes identified as a result of the internal audit projects. To date all of the resulting recommendations identified fall outside the 'High' priority rating indicating that control measures across the organisation are effective.

1.8   A key performance objective of the team is to complete 'fundamental' audits, which are considered key financial systems. During 2017/18 the team initially had 4 'fundamental' audits to be reviewed as part of this year's cycle. Following the introduction of the new auditing arrangements with ARP, Fenland will complete two fundamental audits – Payroll and ARP Enforcement. We will also receive completed audit reviews on Housing Benefits, Council Tax, Business rates and Overpayments that have been completed by other partners in the ARP group.

1.9   As requested by Members at Corporate Governance Committee on 21st March 2017, we have introduced a new risk rating for recommendations identified as part of the audit process. The new definitions can be found at the end of **Appendix A**.

APPENDIX A - Audit Activity Successfully Completed between 01 April 2017 - to 31 December 2017

Audit	Team area	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Construction Industry Scheme	People, Finance, & Customer Services	Substantial	0	N/A		
Car Loans	People, Finance, & Customer Services	Substantial	0	N/A		
CCTV	Communities, Environment & Leisure	Substantial	1	Low	Public Information	
Housing Strategy	Communities, Environment & Leisure	Substantial	0			
Insurance	People, Finance, & Customer Services	Substantial	2	1 Medium, 1 Low	Financial	
Housing – Grant Distribution (PSR/DFG)	Communities, Environment & Leisure	Substantial	0			
Tourism	Communities, Environment & Leisure	Substantial	0			
Community House	Communities, Environment & Leisure	Adequate	1	Medium	Training	

Audit	Team area	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Cemeteries	Communities, Environment & Leisure	Audit in Progress				
Housing Standards – incl Residential Caravan Sites	Communities, Environment & Leisure	Substantial	2	1 Medium, 1 Low	Policy / Financial	
Business Centre Lettings	Growth and Infrastructure	Adequate	2	Medium	Policy / Financial	
Payroll	People, Finance, & Customer Services	Audit in Progress				Y
Website and Intranet Content Management	Policy and Governance	Substantial	1	Medium	Policy	
Petty Cash	People, Finance, & Customer Services	Adequate	5	Medium	Training / Guidance	
Safeguarding	Communities, Environment & Leisure	Audit in Progress				
Contract Monitoring – Development / Planning Policy	Policy and Governance	Audit in Progress				
Property Maintenance	Growth and	Adequate	1	Medium	Procurement / Financial	

Audit	Team area	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
	Infrastructure					
Asset & Premises Management – Utility Charges	Growth and Infrastructure	Audit in Progress				
Licences – Taxi's	Communities, Environment & Leisure	Audit in Progress				
Safer Fenland Partnership	Communities, Environment & Leisure	Audit in Progress				
Human Resources – Administration & Policy	People, Finance, & Customer	Audit in Progress				
Anglia Revenues Partnership - Enforcement	People, Finance, & Customer	Audit in Progress				
Contract Monitoring – Waste & Recycling	Communities, Environment & Leisure	Audit in Progress				

An assurance rating is applied, when a system or process is reviewed, which reflects the effectiveness of the control environment.

The text below is an indication of the different assurance ratings used:

Assurance	Description
Full	There is a sound system of control designed to proactively manage risks to objectives.
Substantial	There is a sound system of control, with further opportunity to improve controls which mitigate minor risks.
Adequate	There is a sound system of control, with further opportunity to improve controls which mitigate moderate risks.
Limited	There are risks without effective controls, which put the objectives at risk.
None	There are significant risks without effective controls, which put the objectives at risk. Fraud and/or error are likely to exist.

The table below outlines the new risk rating scheme for recommendations associated with actions identified as a result of any audit activity, which was suggested by Corporate Governance Committee members at the last meeting:

Recommendations

- The report is completed with the action plan agreed with management. The observations and recommendations are allocated a grading High Medium or Low as defined below:

High	A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected. It is expected that correction action to resolve these will be commenced immediately.
Medium	A control process that contributes towards providing an adequate system of internal control. It is expected that correct action to resolve these will be implemented within three to six months.
Low	These issues would contribute towards improving the system under review. Action should be taken as resources permit.

For information, the previous scheme is outlined below and will no longer be used.

Colour	Priority	Objective	Timescale
Red	Essential	Addresses a fundamental control weakness that is non-existent, or has lapsed, that puts significant control objective at risk.	Immediate
Amber	Important	Addresses a control weakness that is either non-existent or that has lapsed that puts some minor objectives at risk.	To agreed timetable
Yellow	Necessary	Not routine control but necessary to improve or maintain standards of existing controls.	To agreed timetable
Green	Best practice	Provides a potential control or service improvement beyond adequate.	Following consideration

Appendix B – Recommendation Progress

2016/17 Recommendations	Best practice	Necessary	Important	Essential
Total number of recommendations made	**15**	**16**	**10**	**0**
Number of recommendations completed	11	6	9	0
Number of recommendations outstanding	3	7	1	0
Number of recommendations overdue	1	3	0	0

2017/18 Recommendations	LOW	MEDIUM	HIGH
Total number of recommendations made	**3**	**12**	**0**
Number of recommendations completed	0	2	0
Number of recommendations outstanding	3	10	0
Number of recommendations overdue	0	0	0