


Agenda Item No:	7	
Committee:	Audit and Risk Management	
Date:	6 February 2023	
Report Title:	Internal Audit Plan 2022-23 Progress Report Q2/Q3	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2022-23 for the period 01 April 2022 including planned work until 31 December 2022 and the resulting level of assurance. To provide an update to members on the resourcing challenges in the Internal Audit Team.

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 (PSIAS) which were introduced in April 2016 and applicable from April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.
- Performance Standard 2060 of the PSIAS requires the Audit Manager to report to the Committee on the internal audit activity and performance relative to this plan.
- Audit and Risk Management Committee approved the Internal Audit Plan 2022-23 on 14th March 2022.
- Members of the Audit and Risk Management Committee are keen to receive proactive performance reporting in relation to progress against the Internal Audit plan on a quarterly basis.
- 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.

3 Recommendations

- For Members of Audit and Risk Management Committee to consider and note the activity and performance of the internal audit function.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor Kim French - Audit and Risk Management Committee Chairman
Report Originator(s)	Tammy Smith – Internal Auditor Laura Newton – Internal Auditor
Contact Officer(s)	Amy Brown – Assistant Director, Legal and Governance amybrown@fenland.gov.uk 01354 622450 Peter Catchpole - Corporate Director & CFO petercatchpole@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2022-23 Internal Audit Outturn and Quality Assurance Review 2020-21

1 Background / introduction

- 1.1 This report includes details of the audit activity undertaken for the period 01 April 2022 to 31 December 2022.
- 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,

2 Monitoring

- 2.1 On completion of each audit a formal report is issued to the relevant Service Manager and Corporate Director. A copy is also sent to the Corporate Director – Finance (S151 Officer). Each report contains a management action plan, with target dates, that have been agreed with managers to address any observations and recommendations raised by the Internal Auditor. Progress on recommendations is monitored on a quarterly basis.
- 2.2 The following audits have been completed up to end of Q3 2022-23. (Appendix A)
- Trading Operations – Port, Commercial and Marine (21/22)
 - Construction Industry Scheme (21/22)
 - Licensing – Alcohol (21/22)
 - Development Planning Obligations (S106 / CIL) (21/22)
 - Customer Comments, Compliments and Complaints (3C's)
 - ICT Cyber Security
 - Contract Monitoring – Animal Control (Stray Dogs)
 - Safer Fenland Partnership
 - Covid-19 Business Grants – Post Payment Assurance
 - Economic Development
 - Trading Operations – Partner Leases
 - Play Areas
- 2.3 The following audits are currently ongoing and will be reported to the committee in future progress reports:
- Housing Options
 - Income/Debt Management Review
 - Development Delivery
 - Contract Monitoring – Grounds Maintenance
 - Creditors
 - ARP Enforcement
 - Corporate Finance – Budgetary Control

- 2.4 In the first three quarters of the year other work that the internal audit team have been involved to assist with and to provide additional assurance are detailed below:
- Care and Repair Disabled Facilities Grants declarations
 - Grant Funding declarations, including Test and Trace schemes and COMF funding
 - Fraud Investigation work
 - National Fraud Initiative work
 - Risk Management Group
 - Major Project support and advice
 - Follow up reviews on outstanding recommendations

3 External review and resourcing update

- 3.1 As members are aware we are currently carrying out our required review of internal audit and the full report is expected soon. This will be presented to members at the next meeting scheduled for 20th March 2023.
- 3.2 As a separate part of this review we are also looking at an options appraisal for the delivery of our internal audit service in the light of recent changes and a challenging recruitment market. These challenges are being seen both locally and nationally and we are exploring all options to complement our existing provision.
- 3.3 Members are aware that our Internal Audit Manager left the organisation at the end of November 2022 and that this would have a significant impact on the delivery of the full audit plan for 2022-23. We are currently undertaking a prioritisation of the plan to ensure that focus is on the high risk and fundamental audits for the remainder of the year and a full update will be provided to members at the March meeting along with the draft internal plan for 2023-24.
- 3.4 Initial review shows that all fundamental and high risk audits will be completed this year with only payroll being deferred until 2023-24 as this did receive a "Substantial" rating in 2021-22.
- 3.5 At present there are no significant issues arising from this and full assurance is still expected for 2022-23.

Appendix A: Audits completed

Audit	Overall Opinion	High	Medium	Low	Recommendation Theme
<p>Trading Operations – Port, Commercial and Marine (2021/22)</p> <p>To gain assurance that that the Council has robust procedures and guidance in place with relation to pilotage, wharfage, and administration. That there is appropriate management of income and record keeping and appropriate governance in place, as per legislation.</p>	Adequate	1	-	3	<p>The High-risk recommendation is restated from a previous audit - there is no current formal agreement between FDC and Lincolnshire County Council with regards to the Sutton Bridge Cross Keys Marina.</p> <p>The low-risk recommendations relate to best practice improvements in relation to filing and record keeping</p>
<p>Construction Industry Scheme (CIS) (2021/22)</p> <p>To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate procedures for self-employed contractors.</p>	Adequate	1	1	2	<p>The High and medium risk recommendations relate to the implementation and responsibility of IR35 regulations.</p> <p>The low-risk recommendations relate to business continuity and segregation of duties in processing CIS transactions</p>
<p>Licensing – Alcohol (2021/22)</p> <p>To gain assurance that the Council has robust procedures and guidance in place demonstrating appropriate issuance of both Premises and Personal Licences – Alcohol. That legislation is followed accordingly, and that income is collected promptly and accounted for.</p>	Substantial	-	1	-	<p>The recommendation relates to the renewals process for Premises Licences.</p>

<p>Development – Planning Obligations (S106/CIL) (2021/22)</p> <p>the Internal Audit Service has undertaken a <i>follow-up investigation</i> to the recommendations of the systems-based review of Development Control – Planning Obligations that was performed in 2017/18, issued in April 2018.</p> <p>This audit was performed to establish current status of implementation of the recommendations identified in the previous audit report and to gain assurance that there are adequate internal controls and procedures in place for the recording, monitoring and following up of all S106 Agreements within the District.</p> <p>This audit consisted of discussion with the Head of Planning and the following up recommendations identified only – no additional testing has been completed.</p>	Adequate	-	-	-	<p>No further recommendations were identified and satisfactory improvements have been made in respect of implementing and actioning previous recommendations. The previous report identified 2 high risk and 3 medium risk recommendations. This were raised and discussed with the Head of Planning. There were two recommendations identified; 1 high and 1 medium, that the Head of Planning has not agreed and reasoning has been given. The remaining recommendations have been implemented successfully.</p>
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<p>3C's Process</p> <p>To gain assurance that there are sufficient policies and procedures in place for the Council to record, monitor and report on the Council's correspondence, compliments and complaints received.</p> <p>My Fenland Team are responsible for the monitoring and recording of the 3C's, performance reporting of statistics and liaising with relevant service managers, aiming to provide customer resolution and satisfaction.</p>	Adequate	-	5	1	<ul style="list-style-type: none"> • Procedure notes to be updated to reflect current practice and contact officer details • Ensure that monthly performance reports are complete and accurate and reflect actual performance • Review and revise monitoring spreadsheet to ensure formulas for reporting are complete and accurate • Monthly performance reports to be published on the intranet for awareness • Raise awareness with service managers of the importance to take ownership and respond within timescale for customer complaints
<p>ICT Cyber Security</p> <p>To gain assurance that there appropriate levels of internal controls for cyber security across the Council incorporating the following areas:</p> <ol style="list-style-type: none"> 1.Internal policies and procedures exist and that they are regularly updated and complied with 2.National Cyber Assessment Framework is complied with 3.Cyber security controls are regularly tested by specialist IT external auditors 4.Adequate controls are in place to prevent unauthorised access 5.Adequate controls are in place for mobile devices 6.Appropriate training is given to staff 	Substantial	-	2	1	<ul style="list-style-type: none"> • Ensure that a revised and updated version of the ICT Strategy and Information Security Policy is agreed, formalised and published • Complete a review of the Acceptable Use Policy and update as necessary to ensure compliance with revised strategy • Ensure cyber security training is actively completed by all officers and new starters in order to comply with ICT Policy and guidance. Timescales for completion to be adhered to, otherwise further action to be take.

<p>Contract Monitoring – Animal Control (Stray dogs)</p> <p>To gain assurance that there are effective controls in place to provide a stray dog collection service to Fenland area:</p> <ol style="list-style-type: none"> 1. There are adequate policies and procedures in place 2. There is adequate reconciliation of income 3. There is regular and frequent monitoring of the contract and evaluation of the contractor's performance 	Substantial	-	-	-	
<p>Safer Fenland Partnership</p> <p>To gain assurance that that there is an up-to-date strategy with clear priorities and effective government arrangements in place for the delivery of 'Safer Fenland'.</p> <ol style="list-style-type: none"> 1. Effective Governance of the Community Safety Partnership 2. Information is managed effectively and securely 3. Grant distribution / finding has sufficient audit trails 	Substantial	-	-	-	
<p>Trading Operations – Partner Leases</p> <p>to gain assurance that there are appropriate and effective procedures and controls in place for the monitoring of</p>	Limited	3	2	-	<p>Scheduling of invoicing</p> <p>Communication channels with Sundry Debtors</p> <p>Lease and licence agreements are complete and</p>

<p>Partner Leases</p> <ul style="list-style-type: none"> • Income is collected for Partner Leases/Licences. • Leases/Licences completed and signed. • Resources have been accounted for – e.g., utilities. • Building security is not compromised. 					<p>signed Rent Reviews Security arrangements at The BASE</p>
<p>Economic Development to gain assurance that the Council’s key business objectives for the service are being met.</p> <ul style="list-style-type: none"> • There is an up to date and consulted strategy • Delivery of the strategy • Promotion of services complies with Council rules and procedures • Budget is spent effectively • Grant applications are risk managed and monitored 	Substantial	-	-	-	
<p>Play Areas to gain assurance that Play Areas are maintained as per the Contract, meeting key objectives of the Authority.</p> <ul style="list-style-type: none"> • There is an up-to-date maintenance contract in place, covering all play areas in the district 	Adequate	-	2	2	<p>Lack of record keeping Poor contract monitoring</p>

<ul style="list-style-type: none"> • Play areas are inspected regularly as agreed, by trained contractors and reported to the Authority in a timely manner • Play areas are maintained by contractors and in a safe condition in accordance with RoSPA guidelines • Repairs are actioned in a timely manner in accordance with the contract 					
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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.

Appendix B – Recommendation progress 2020/21 - 2022/23

Total Recommendations 2020/21				
	High	Medium	Low	Total
Total Recommendations	3	21	23	47
Total Complete	3	20	21	44
Total Not Due	0			
Overdue	0	1	2	3

- This data includes recommendations made from our ARP Audit Partners who conducted audits for the partnership. These have all been completed or superseded by the audits of 2021/22.
- **The overdue recommendation relates to CCTV and has been chased with the relevant Head of Service. This has been raised with Management Team and is still outstanding.**

Total Recommendations 2021/22				
	High	Medium	Low	Total
Total Recommendations	6	31	41	76
Total Complete	2	15	29	46
Total Not Due	2	6	9	17
Overdue	2	10	3	15

- This table does not include the recommendations made in relation to the ARP audits, conducted by partner authorities as they are reported to their respective authorities at this stage.
- **The overdue high-risk and medium risk actions relate to the Business Unit Lettings Audit. Progress has been made in drafting a new Letting Policy – this will be published very soon and staff recruitment is underway to address some of the other issues identified during the audit.**
- **The overdue recommendations are presented to Management Team on a quarterly basis to monitor progress and to discuss any issues with relevant service managers.**

Total Recommendations 2022/2023				
	High	Medium	Low	Total
Total Recommendations	6	31	41	76
Total Complete	2	15	29	46
Total Not Due	2	6	9	17
Overdue	2	10	3	15

- All overdue recommendations are in the process of being addressed by the Internal Audit Team and will be updated accordingly.