Agenda Item No:	8	 Fenland CAMBRIDGESHIRE
Committee:	**Corporate Governance**	
Date:	**5 February 2019**	
Report Title:	**Internal Audit Plan 2018-19 Progress Report Q3**	

1   Purpose / Summary

To report progress against the Internal Audit Plan 2018-19 for the period 01 April 2018 including planned work until 31 December 2018 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 (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.

- Corporate Governance Committee approved the Internal Audit Plan 2018-19 on 19th March 2018. 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.

- 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 activity and performance of the internal audit function.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor John Clark - 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 Kamal Mehta – Interim Corporate Director kamalmehta@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2018-19 Internal Audit Outturn and Quality Assurance Review 2017-18

1   Background / introduction

1.1   This report includes details of the audit activity undertaken for the period 01 April 2018 to 31 December 2018, 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 2018-19.

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

1.5   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.

1.6   A key performance objective of the team is to complete 'fundamental' audits, which are considered key financial systems. For 2018-19 there were 7 fundamental audits included in the plan. The internal audit team at Fenland has 4 'fundamental' audits to be reviewed as part of this year's cycle. Following the introduction of the new auditing arrangements with ARP 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. Housing Benefits, Council Tax and Business rates are 'fundamental' audits.

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. This forms the basis of the follow-up audit, which is reviewed at 6 monthly intervals to assess progress in implementing the agreed actions.

2.2   The following audits have been completed during Q3 of 2018-19.
- Trading Operations – Yacht Harbour
- 3C's – Customer Care
- Corporate Assurance – Performance Management
- Refuse – Waste Strategy and Recycling Credits
- Creditors
- ICT – Administrations and Management

2.3   The following audits are currently ongoing and will be reported to the committee in the next progress report:
- Contract Monitoring – Grounds Maintenance
- Corporate Finance - Procurement
- Licences – Animal Welfare
- ARP Enforcement
- Corporate Assurance – Information and Data Management
- Payroll
- Combined Authority – Commissioned Works Projects
- Contract Monitoring – Stray Dogs
- Trading Operations – Community Events
- Customer Services – Contact Centre
- Human Resources – Workforce Planning
- VAT
- *Housing Benefits / Housing Benefits Overpayments / Council Tax / Business Rates*

        The audits shown in italics are conducted by our ARP Audit Partners. The results will be presented to this committee.

2.4   In addition to the standard audits, Internal Audit also undertook other work during Q3 of 2018/19, including;
- Review of FACT as requested by the Chairman of CGC.
- Providing advice and guidance in relation to the National Fraud Initiative data upload.
- Providing advice and guidance to departments in relation to GDPR
- Providing advice and guidance for the upgrade of the Council's Finance system.
- Providing support and advice to Service Managers as requested.

2.5   Follow up work has also been completed in relation to recommendations made from the 2017-18 internal audit plan. Progress on these recommendations can be seen at **Appendix B.**

APPENDIX A - Audit Activity Successfully Completed between 01 April 2018 - to 31 December 2018

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Health – Food & Safety	Substantial	0	N/A		
Contract Monitoring - Highways	Substantial	0	N/A		
Conservations & Regeneration Grants	Substantial	1	Low	Public Information	
Street Scene - Enforcement	Adequate	2	1 Medium, 1 Low	Financial Monitoring and Procedural review	
Corporate Assurance - Transparency	Adequate	5	5 Medium	Guidance / Timeliness / Responsibility	
Development – Fee Income	Substantial	1	1 Low	Financial	
Members & Committee Expenditure	Substantial	0			
Payroll – Employee Benefits and Deductions	Substantial	0			
Payroll – Expenses and Allowances	Substantial	4	3 Medium, 1 Low	Policy and System efficiencies	
ICT Assets and Disposals	Substantial	0			

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Debtors and Collection Agency	Substantial	1	Medium	Procedural	
Communications	Substantial	0			
Trading Operations – Yacht Harbour	**Adequate**	**4**	**1 High, 3 Medium**	**Procedural**	
3C's – Customer Care	**Substantial**	**1**	**Medium**	**Training**	
Corporate Assurance – Performance Management	**Substantial**	**3**	**Medium**	**Policy and Guidance**	
Refuse – Waste Strategy and Recycling Credits	**Substantial**	**2**	**1 Medium, 1 Low**	**Guidance and Procedural**	
Creditors	**Substantial**	**2**	**Medium**	**Procedural**	
ICT – Administrations and Management	**Substantial**	**0**			

Audits completed during quarter 3 are shown in bold.

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.

Recommendations

- The report is completed with the action plan agreed with management. The observations and recommendations are allocated a grading of 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.

Appendix B – Recommendation Progress

2017-18 Recommendations	HIGH	MEDIUM	LOW
Total number of recommendations made	**5**	**35**	**12**
Number of recommendations completed	5	22	7
Number of recommendations outstanding (not due)	0	12	4
Number of recommendations overdue	0	1	1

2018-19 Recommendations	HIGH	MEDIUM	LOW
Total number of recommendations made	**1**	**20**	**5**
Number of recommendations completed	0	1	1
Number of recommendations outstanding (not due)	1	19	4
Number of recommendations overdue	0	0	0