


Agenda Item No:	<b>9</b>	
Committee:	<b>Corporate Governance</b>	
Date:	<b>5 November 2019</b>	
Report Title:	<b>Internal Audit Plan 2019-20 Progress Report Q2</b>	

## **1 Purpose / Summary**

To report progress against the Internal Audit Plan 2019-20 for the period 01 April 2019 including planned work until 30 September 2019 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 2019-20 on 19th March 2019. 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.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Councillor John Clark-Corporate Governance Committee Chairman
<b>Report Originator(s)</b>	Kathy Woodward – Shared Internal Audit Manager
<b>Contact Officer(s)</b>	Kathy Woodward - Shared Internal Audit Manager <a href="mailto:kwoodward@fenland.gov.uk">kwoodward@fenland.gov.uk</a> 01354 622230 Peter Catchpole - Corporate Director & CFO <a href="mailto:pcatchpole@fenland.gov.uk">pcatchpole@fenland.gov.uk</a> 01354 622201
<b>Background Paper(s)</b>	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 2019 to 30 September 2019, 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 Following the resignation of the full time Internal Auditor in July temporary arrangements have been in place to provide support for delivery of the internal audit plan. The temporary resource has been sourced from the Borough Council of King's Lynn and West Norfolk (BCKLWN) who are providing approximately 15 hours of cover each week.
- 1.4 There is currently a recruitment exercise underway to recruit an additional auditor to the King's Lynn team. This will enable a Service Level Agreement (SLA) between the two organisations to be developed to provide FDC with approximately 31 hours per week of internal audit support. This will provide revenue savings each year of between £3,000 to £5,000.
- 1.5 By using an SLA we can access a greater pool of auditors to complete the internal audit plan, which will provide a greater level of independence to the service. This will also strengthen the current shared arrangements we have with the Internal Audit Manager role, by generating efficient ways of working across similar audit plans.
- 1.6 In addition to the benefits described above, by using an SLA, we can review the success of the arrangements without affecting either organisation staffing conditions to determine if a permanent Shared Internal Audit function is something that could be of benefit in the future.
- 1.7 The resourcing issues have meant that in order to achieve a balanced Internal Audit plan that covers operational and governance type audits and an appropriate mix of fundamental and high risk areas, a revised internal audit plan for 19/20 has been attached to this report as **Appendix B**. Some low risk audits have been removed, some audits have been incorporated into others and some have been rescheduled based on availability of government guidance.
- 1.8 There has also been an addition of two audits to the plan. One will be delivered by one of our ARP partners (West Suffolk Audit) on ARP Performance and the other will be to review the Councils Income and Debt Management Policies.

- 1.9 To date the Internal Audit team have achieved a satisfactory level of planned audits, that will enable the Internal Audit Manager to provide an informed opinion by the end of the year on the adequacy of the system of internal control, risk management and governance arrangements of the Council.
- 1.5 Audit work includes testing of system controls and management action plans that 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.
- 1.6 A key performance objective of the team is to complete 'fundamental' audits, which are considered key financial systems. For 2019-20 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. Progress on recommendations is monitored on a quarterly basis.
- 2.2 The following audits have been completed during the first half of 2019-20.
- Customer Services – Contact Centre
  - Transport – Commercial Fleet Management
  - Licensing – Animal Welfare
  - Cash Collection – Web Payments
  - GIS / LLPG
  - Budgetary Control
  - Licences - Other
  - Cemetery Income
  - Property – Building Security
  - Contract Monitoring - Freedom Leisure
  - ICT – Cloud Storage
  - ICT – Security and Network Controls
  - ICT – Disaster Recovery
  - Corporate Assurance – Risk Management

2.3 The following audits are currently ongoing and will be reported to the committee in the next progress report:

- Combined Authority Commissioned Work Projects
- Corporate Assurance – Information and Data Management
- Travellers Sites Rents and Repairs
- Trading Operations – Estates
- Income / Debt Management Review
- ARP Enforcement

2.5 Follow up work would normally be completed on a quarterly basis, in relation to recommendations made from the 2018-19 and 2019-20 internal audit plans. However due to the reduction in resources over the second quarter of this year progress on these recommendations will be reported to the committee in the Q3 progress report.

## APPENDIX A - Audit Activity Successfully Completed between 01 April 2019 - to 30 June 2019

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
Customer Services – Contact Centre	Substantial	0	N/A		
Transport Commercial and Fleet Management	Substantial	0	N/A		
Licensing – Animal Welfare	Adequate	4	1 Low, 3 Medium	Procedural, Financial, Reputational	
Cash Collection – Web Payments	Substantial	0	N/A		
GIS / LLPG	Substantial	1	1 Medium,	Business Continuity	
Corporate Finance – Budgetary Control	Substantial	1	1 Medium	Reporting	
Licences – Other	Limited	3	2 High, 1 Medium	Procedural – Registration and Communication	
Cemetery Income	Adequate	4	1 High, 2 Medium, 1 Low	Financial Procedures, Business Continuity	
Property – Building Security	Substantial	1	1 Medium	Building Access	
Contract Monitoring – Freedom Leisure	Adequate	6	4 Medium, 2 Low	Procedural, Reporting	

Audit	Overall opinion	Recommendation	Recommendation category	Recommendation theme	Fundamental
ICT – Cloud Storage	Substantial	0			
ICT - Security and Network Controls	Substantial	0			
ICT – Disaster Recovery	Substantial	0			
Corporate Assurance – Risk Management	Substantial	16	7 Medium, 9 Low	Policy, Communication and Training	

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.



Revised Internal Audit Plan 2019-20

Appendix B

Audit Title	Risk Rating	2019/20 Days	Current Status	Comments
<b>Communities</b>				
Sport Development	Low	6	Remove	Low risk
Travellers Sites Rents and Repairs	Medium	12	In progress	
Housing Options	Medium	8	Q4	
Contract Monitoring – Freedom Leisure	Medium	6	Complete	
<b>Economy</b>				
Development – Delivery Performance	Medium	8	Outstanding	
Trading Operations – Estates	Medium	8	In progress	
Economic Development – Business	Medium	6	Q3	
Trading Operations – Partner Leases	Medium	6	Q4	
<b>Environment</b>				
Trading Operations – Markets	Medium	8	Outstanding	
Trading Operations – Cemetery Income	Medium	6	Complete	
Trading Operations – Trade Waste	Medium	8	Q3	
Licences – Environmental	Medium	8	Q4	
Energy Efficiency Guarantee	Medium	6	Remove	To be included in the follow up of Freedom Leisure Contract
Environmental Support Team – New Procedures	Medium	8	Q4	
<b>Quality Organisation</b>				
Partnership Governance - ARP	Low	6	Remove	Low risk
Partnership Governance – BBC (Payroll)	Low	5	Remove	Low risk
Partnership Governance – CNC Building Control	Low	6	Remove	Low risk
ARP – Anti Fraud and Error	Medium	6	Remove	New guidance on Fighting Fraud and Corruption Locally will be available in March 2020
ARP Enforcement	Medium	12	In progress	
Council Tax (Fundamental)	Medium	1*	In progress	Work undertaken by our ARP partner authorities
Housing Benefits (Fundamental)	Medium	*	In progress	Work undertaken by our ARP partner authorities
Housing Benefits – Overpayments	Medium	*	In progress	Work undertaken by our ARP partner authorities
Business Rates (Fundamental)	Medium	*	In progress	Work undertaken by our ARP partner authorities
Corporate Assurance – Risk Management	Low	6	Complete	
Corporate Assurance – Anti Fraud and Corruption	Medium	5	Remove	New guidance on Fighting Fraud and Corruption

**Revised Internal Audit Plan 2019-20**

**Appendix B**

				Locally will be available in March 2020
Corporate Assurance – Health & Safety	Low	6	Remove	Low risk
Property – Building Security	Medium	6	Complete	
Post, Print and Scanning	Medium	6	Q3	
GIS & LLPG System Maintenance	Medium	6	Complete	
Land Charges	Medium	6	Outstanding	
Legal Services	Medium	6	Outstanding	
Corporate Projects		10		To cover outstanding audits
Payroll (Fundamental)	High	10	Q4	
Customer Services – Fenland@yourservice	Medium	10	Outstanding	
Customer Services – Service requests	Medium	40	Remove	This area will be amalgamated in the Contact Centre audit to avoid duplication of work.
ICT Cloud Storage	Medium	6	Complete	
ICT Security & Network Controls	Medium	6	Complete	
ICT Disaster Recovery	Medium	6	Complete	
Cash Collection – Web Payments	Medium	6	Complete	
Cash & Treasury Management (Fundamental)	Medium	11	Q4	
Corporate Finance – Budgetary Control (Fundamental)	Medium	8	Complete	
Corporate Finance – Management Accounting System (Fundamental)	Medium	10	Q4	
Emergency Planning	Medium	8	Q4	
<b>ARP Performance Management</b>	<b>New</b>	*	<b>New</b>	<b>Work undertaken by our ARP partner authorities</b>
<b>Income / Debt Management Policy Review</b>	<b>New</b>	8	<b>New</b>	<b>Additional work requested by CMT</b>
<b>Total Risk Based Audits</b>		<b>-288 240</b>		
<b>External Audits and Other Work</b>				
FACT – Validation of Process	High	5	Ongoing	
Fraud Work – Investigations and NFI		14	Ongoing	
Follow ups		11	Ongoing	
Contingency		19		To cover outstanding audits
<b>Subtotal External and Other Work</b>		<b>49</b>		
<b>Grand Total</b>		<b>337 289</b>		