


Agenda Item No:	6	
Committee:	Corporate Governance	
Date:	17 March 2020	
Report Title:	Internal Audit Plan 2019-20 Progress Report Q3	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2019-20 for the period 01 April 2019 including planned work until 31 December 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. A revised plan was presented to the Committee on 5th November 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.

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 Peter Catchpole - Corporate Director & CFO pcatchpole@fenland.gov.uk 01354 622201
Background Paper(s)	Annual Risk Based Internal Audit Plan 2019-20 Internal Audit Outturn and Quality Assurance Review 2018-19

1 Background / introduction

- 1.1 This report includes details of the audit activity undertaken for the period 01 April 2019 to 31 December 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 had been providing approximately 15 hours of cover each week. Due to some staffing issues at Kings Lynn, this has not been constant throughout the period.
- 1.4 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 There are a number of audits that will not be complete at the end of the year. At this stage it is anticipated that will equate to approximately 15% of the plan. It is normal to carry forward some ongoing audits at the end of any audit year. This reduced level of performance will not affect the Audit Managers ability to provide an independent opinion on the system of Internal Control, Risk and Governance at the end of the year, as sufficient coverage has been given to priority audits, high risk areas and ensuring a balanced coverage of systems across the councils have been reviewed.
- 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 3 of the resulting recommendations have been categorised as a 'High' priority rating, but all have been actioned to an appropriate

standard to ensure no major weaknesses are currently outstanding in the organisations control systems.

- 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 up to 31 December 2019.

- 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
- Commercial Waste
- Post, Print and Scanning
- Emergency Planning
- ARP Performance Management
- Corporate Assurance – Information and Data Management (GDPR and Data Protection Act)

- 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
- Travellers Sites Rents and Repairs
- Trading Operations – Estates
- Licences - Environmental
- Income / Debt Management Review

- Trading Operations – Markets
- Payroll (Fundamental)
- Cash and Treasury Management (Fundamental)
- Corporate Finance – Management Accounting System (Fundamental)
- ARP Enforcement Fact - Validation of Processes

2.4 Follow up work has also been completed in relation to recommendations made from 2019-20 internal audit plan. Progress on these recommendations can be seen at Appendix B.

APPENDIX A - Audit Activity Successfully Completed between 01 April 2019 - to 31 December 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	3	3 Medium	Building Access, Policy	
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	
Commercial Waste	Adequate	3	1 Medium, 2 Low	Procedural, Financial	
Post, Print and Scanning	Substantial	2	1 Medium, 1 Low	Efficiency / Income Generation	
Emergency Planning	Substantial	1	Low	Policy	
ARP Performance Management	Work undertaken by West Suffolk as a piece of audit added value work.				
Corporate Assurance – Information and Data Management (GDPR and DPA)	Substantial	12	4 Medium, 8 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.

Appendix B – Recommendation Progress

2019-20 Recommendations	HIGH	MEDIUM	LOW
Total number of recommendations made	3	28	25
Number of recommendations completed	3	9	12
Number of recommendations outstanding (not due)	0	19	13
Number of recommendations overdue	0	0	0