


Agenda Item No:	9	
Committee:	Corporate Governance	
Date:	2 November 2020	
Report Title:	Internal Audit Plan 2020-21 Progress Report Q2	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2020-21 for the period 01 April 2020 including planned work until 30 September 2020 and the resulting level of assurance. To provide an update to members on the resourcing issues of 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.
- Corporate Governance Committee approved the Internal Audit Plan 2020-21 on 17th August 2020. This audit plan covered the last 6 months of the year as a result of reduced capacity and redeployments required by the council to enable emergency response to the Covid-19 pandemic.
- 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.

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 2020-21 Internal Audit Outturn and Quality Assurance Review 2019-20

1 Background / introduction

- 1.1 This report includes details of the audit activity undertaken for the period 01 April 2020 to 30 September 2020. As detailed in the audit plan presented to the committee in August 2020, the Council's emergency response to the Covid-19 pandemic had a significant impact on the work of internal audit and as a result work on this year's plan only commenced at the beginning of September 2020.
- 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 In addition to the Covid-19 pandemic that has impacted upon the work of internal audit, the team also has a vacancy that has not yet been filled and new staffing proposals have been presented to Staff Committee.

2 Staffing Update

- 2.1 The restructure proposals presented to Staff Committee in September 2020 are outlined below:
- Reinstatement of the Internal Audit Manager to a full-time post.
 - Appointment of a full-time apprentice internal auditor.
 - Retention of the existing part time internal auditor.
- 2.2 The rationale for these proposals are to offer a greater resilience to the internal audit function and the organisation. The Council has gone through some significant changes and is likely to undergo further radical change over the next few years. With the organisation's ambitious new focus around transformational projects and the development of a commercial investment strategy, there is greater need for enhanced scrutiny and evaluation of the effectiveness of the risk management process, control and governance processes required.
- 2.3 In addition to providing enhanced support for new council ventures, the increase in Internal Audit Manager resource will allow for an improvement in the Council's anti-fraud and corruption work, enable the building of better relationships with ARP and National Fraud Initiative (NFI) and to develop stronger preventative measures to detect and identify fraudulent activities. ARP are currently working on pilot schemes to improve success rates of identifying fraud through work with NFI which will require some additional management to ensure results are effective, consistent and reported appropriately. This additional work on fraud is expected to generate non-cashable income / cost reduction by identifying more fraud and error. This could be by reducing discounts on incorrectly applied single person discounted accounts or

increased debtor tracing on overpaid accounts. A stronger working relationship with ARP and the County Council is crucial in successful delivery of this area of work.

- 2.4 Nationally there is a shortage of experienced and qualified auditors and through the use of the Apprenticeship Levy, funding can be provided to support a suitable candidate towards achieving a high level qualification with relevant experience, that would enhance the current team by bringing in additional skills and approaches.
- 2.5 The Council is committed to the approach of 'growing your own talent' and this apprenticeship offers an opportunity to gain a level 4 qualification as an Internal Audit Practitioner. There are two qualification that will be covered:
- IIA (Chartered Institute of Internal Auditors) Certificate in Internal Audit and Business Risk
 - Certified Internal Auditor (CIA) Part 1 – Essentials of Internal Auditing.

The apprenticeship would last for two years, it will be a career graded post, after which the newly qualified auditor would be employed and retained within the council. This is a specialist subject and there are very limited apprenticeship opportunities, working within a public sector organisation that is offering a role like this.

- 2.6 Staff Committee accepted these proposals and work is underway to recruit the apprentice internal auditor. Over a full year this should provide an additional 56 audit days, while the apprentice is training, and a further 50 days once qualified.
- 2.7 The current S113 and Memorandum of understanding between Fenland District Council and King's Lynn and West Norfolk borough Council will be terminated and the new restructure will be completed in May 2021.

3 Monitoring

- 3.1 As the 'normal' work of the internal audit function on delivering the audit plan only commenced in September 2020, there is only limited results that are available for the Committee at this time, which are detailed below.
- 3.2 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.
- 3.3 The following audits have been completed during the first half of 2020-21. (Appendix A)
- Licences – Environmental (19/20)
 - Payroll (19/20)
 - ARP Enforcement (19/20)
 - Business Rates * (19/20)
 - Council Tax * (19/20)
 - Overpayments * (19/20)
 - Housing Benefits * (19/20)

- Trading Operations – Estates (19/20)
- Trading Operations – Markets (19/20)

3.4 The following audits are currently ongoing and will be reported to the committee in future progress reports:

- Travellers Sites Rents and Repairs
- Cash and Treasury Management
- Income / Debt Management Review
- Corporate Finance – Management Accounting Systems
- Street Scene Enforcement
- CCTV
- Waste and Recycling credits

3.5 In the first half of the year other work that the internal audit team have been redeployed to assist with and to provide additional assurance are detailed below:

- Covid-19 Business Grants
- Covid-19 Discretionary Business Grants
- Covid-19 Test and Trace Isolation payments
- Overview and Scrutiny ARP review group
- Care and Repair Disabled Facilities Grants declaration
- National Fraud Initiative work

3.6 Other assurances provided to FDC from external organisations:

- DVLA audit of FDC for abandoned car searches on the Web Enabled System (WEE) - **Green** assurance received.

Appendix A: Audits completed

Audit	Overall opinion	Recommendations			Recommendation Theme
		High	Medium	Low	
Payroll (19/20)	Substantial	-	-	-	
Anglia Revenues Partnership – Enforcement (19/20)	Substantial	-	2	1	Communication Channels, Reconciliations
<i>Business Rates (19/20)</i>	<i>Adequate</i>	-	7	6	
<i>Council Tax (19/20)</i>	<i>Adequate</i>	-	8	3	
<i>Overpayments (19/20)</i>	<i>Adequate</i>	-	3	3	
<i>Housing Benefits (19/20)</i>	<i>Adequate</i>	-	10	6	
Trading Operations Estates (19/20)	Adequate		3	-	Transparency, Policy and Process
Trading Operations – Markets (19/20)	Substantial	-	-	-	
Licences – Environmental 19/20)	Adequate	-	5	2	Procedural, Financial, Guidance

* Audits conducted by ARP partner authorities