


Agenda Item No:	7	
Committee:	Audit and Risk Management	
Date:	1 February 2021	
Report Title:	Internal Audit Plan 2020-21 Progress Report Q3	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2020-21 for the period 01 April 2020 including planned work until 31 December 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.
- Since the approval of the audit plan, there have been further periods of national lockdown and further redeployments have taken place to assist the council in dealing with its emergency response to the pandemic.
- In a standard year completion of the audit plan is required to allow the Internal Audit Manager to produce an annual opinion on the systems of internal control, risk management and governance processes.
- 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.
- This update will also provide assurance on how an annual audit opinion can be provided as a result of the unprecedented circumstances and challenges presented because of the Covid-19 pandemic.

3 Recommendations

- For Members of Audit and Risk Management Committee to consider and note the activity and performance of the internal audit function.
- For Members of the Audit and Risk Management Committee to note the update in relation to providing an annual audit opinion for 2020/21.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Chris Boden – Leader of the Council
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 CIPFA Guidance – Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope

1 Background / introduction

- 1.1 This report includes details of the audit activity undertaken for the period 01 April 2020 to 31 December 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 Further national restrictions and a period of lockdown throughout November 2020 has again impacted on the work of the internal audit team through reduced capacity and redeployments to assist in the council's response to the pandemic. It is likely that this reduction in capacity will be in place until the end of the financial year.
- 1.3 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,
- 1.4 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
- 1.5 This report will also seek to reassure members of the committee of how the reduced capacity of the internal audit function can provide enough assurance to complete an annual audit opinion on the systems of internal control, risk management and governance processes that will form part of the Annual Governance Statement.

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 We have successfully recruited an apprentice internal auditor, who will commence employment in February 2021. Over a full year this should provide an additional 56 audit days, while the apprentice is training, and a further 50 days once qualified.
- 2.3 The current S113 and Memorandum of understanding between Fenland District Council and King's Lynn and West Norfolk borough Council has been terminated and the Internal Audit Manager will revert to full time from 31 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 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)
 - Street Scene Enforcement
- 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
 - CCTV
 - Waste and Recycling credits
 - Covid-19 Business Grants
- 3.5 During 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
 - Community Hub support, advice, and guidance
 - Covid-19 Test and Trace Isolation payments
- 3.6 Other assurance work that the internal audit team have been delivering are detailed below:
- Overview and Scrutiny ARP review group
 - Care and Repair Disabled Facilities Grants declaration
 - National Fraud Initiative work – National Exercise, Council Tax and Elections Exercise and Covid-19 Business Grants Exercise

- Grant Funded Projects Group
- Risk Management Group
- My Fenland project group overview
- Covid-19 Emergency Project Group overview
- Decarbonisation Funding Bid review and grant award declaration
- Business Grants – Post Payment Assurance planning and review

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.
- Independent Designated Person Port Marine Safety Code audit – **96.12%** conformity with achievable measures.

4 Annual Audit Opinion

4.1 The Internal Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme.

4.2 CIPFA have issued guidance to Local Authorities: Head of Internal Audit Annual Opinion: Addressing the Risk of a Limitation of Scope, to directly address the impact of Covid-19 and whether audit teams will be able to undertake sufficient work to gain assurance during 2020/21.

4.3 The key requirements that heads of internal audit (HIA), leadership teams and audit committees should follow are set out below.

1. The HIA should plan to obtain sufficient assurance to support the annual opinion, taking into account both internal audit work and other sources of assurance. The reliance the HIA is placing on other sources of assurance should be disclosed in the overall opinion.
2. The HIA, leadership team and audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.
3. The HIA should make best use of their audit resources to maximise assurance.
4. Where the HIA considers that a limitation of scope is likely, the leadership team and audit committee should be advised promptly. The HIA should set out the likely consequences assessed and advise on remedial action to avoid a limitation of scope.
5. The HIA annual report should contain a clear explanation of any limitation of scope along with its causes and plans to address the situation going forward.
6. Where the HIA annual report and opinion contains a limitation of scope the authority should state this in the annual governance statement.

4.4 The factors impacting on the availability of assurance from internal audit and other sources of assurance include:

- the changing risks and impacts on the organisation itself
- whether key governance, risk management and internal control arrangements have deteriorated or been maintained
- changes to the resource base of internal audit, whether staff or budget related demands on internal audit for any advisory or non-audit support that will not directly support the HIA opinion
- operational disruptions that impact on the access of internal auditors to key staff, information or systems resulting in greater inefficiency and reduced outputs

Where an organisation has adopted a comprehensive assurance framework then this may be used by the HIA to support the opinion.

4.5 In addition to the information detailed above, the annual audit opinion must also demonstrate compliance with the PSIAS. Performance Standard 2100 - Nature of Work details how the work of Internal Audit can contribute to the Annual Audit Opinion:

- 2110 Governance – Assess and make recommendations to improve organisations governance processes
- 2120 Risk Management – Evaluate the effectiveness and contribute to the improvement of Risk Management processes
- 2130 Control – Assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement

4.6 Considering all the factors detailed above, the following measures have been incorporated to provide additional assurance to support the Internal Audit Manager's Annual Audit Opinion in 2020/21:

- Governance
 - Internal Audit presence/oversight at all major project groups, including Corporate Investment Board, My Fenland, Covid-19 Emergency response, Management Team etc.
 - Review of lessons learnt from these projects.
 - Assurance Framework Mapping – seeking further assurances by using themes outlined in the assurance map (Appendix B).
- Risk Management
 - Internal Audit Manger continued membership of the Risk Management group, providing oversight and assurance.
 - Follow up review of Risk Management Audit ensuring actions to improve process have been implemented.
 - Raising awareness of risk management issues at project groups and operational / strategic level support.
 - Other sources of assurance to be incorporated include, update of Health and Safety risk assessments for ensuring Covid-19 secure workplace and practices, updated home working risk assessments, continued update of Business Continuity plans.
- Control
 - Streamlining audit processes to increase capacity.
 - Narrowing the focus of audit scopes to examine only key risks.

- Prioritising assurance and advisory work that supports the annual audit opinion.
- Increase focus on follow up reviews from 2018/19 and 2019/20 to ensure controls and actions have been implemented and are effective.
- Providing support to the Council's response to Covid-19 through participating in Business Grant Group scheme development and providing oversight to the implementation of these schemes.
- Post payment assurance work on Business Grants.
- Other assurances provided from external providers.

4.7 Limitation of scope arises where the Internal Audit Manager is unable to draw on sufficient assurance to issue a complete annual opinion. This is different to issuing an adverse opinion where sufficient work has been completed, but concludes that the arrangements are not adequate and effective

4.8 Through the work already achieved by the internal audit team as detailed in section 3 of this report and using the alternative sources of assurance highlighted in section 4, sufficient assurance can be achieved this year to deliver an annual audit opinion without the need to issue a limitation of scope for any of the areas covered in the annual opinion.

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
Street Scene Enforcement	Adequate	-	1	-	Service Delivery

* Audits conducted by ARP partner authorities

Appendix B: Assurance Map

