

Agenda Item No:	8	
Committee:	AUDIT AND RISK MANAGEMENT COMMITTEE	
Date:	14 February 2022	
Report Title:	Internal Audit Plan 2021-22 Progress Report Q3	

1 Purpose / Summary

To report progress against the Internal Audit Plan 2021-21 for the period 01 April 2021 including planned work until 31 December 2021 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.
- Audit and Risk Management Committee approved the Internal Audit Plan 2021-22 on 21st June 2021.
- Members of the Audit and Risk Management 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 Audit and Risk Management 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 Kim French - Audit and Risk Management Committee Chairman
Report Originator(s)	Kathy Woodward – Internal Audit Manager
Contact Officer(s)	Kathy Woodward - 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 2021-22 Internal Audit Outturn and Quality Assurance Review 2020-21

1 Background / introduction

- 1.1 This report includes details of the audit activity undertaken for the period 01 April 2020 to 31 December 2021.
- 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 deliver the majority of the audit plan for 2021-22.
- 1.4 The team have also been providing advice to ongoing council projects, particularly Covid 19 Business Grants, Future Hight Street Fund projects and a review of the council's Corporate Debts policy.
- 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. To date we have only issued one recommendation of a 'High'- priority, which is currently being addressed. All of the other 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 2021-22 there were 6 fundamental audits included in the plan. The internal audit team at Fenland has 3 'fundamental' audits to be reviewed as part of this year's cycle. Included within the 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 Staffing Update

- 2.1 The restructure proposals of the Internal Audit team were approved by Staff Committee in September 2020. The proposals are outlined below:
 - Reinstate the Internal Audit Manager to a full-time post.
 - Appoint a full-time apprentice internal auditor.
 - Retain the existing part time internal auditor.

- 2.2 Following the implementation of the restructure of the Internal Audit team, improved productivity of the team is being achieved and it is on track to deliver the Internal Audit Plan by the end of the year.
- 2.3 With the increase in capacity of the Internal Audit team, an additional strand of the revised staffing proposals included seeking to explore opportunities for income generation from the internal audit team.
- 2.4 An opportunity has arisen to provide Internal Audit Services to the Water Management Alliance (WMA). The WMA is a consortium of 7 Internal Drainage Boards, with a head office based in King's Lynn. The work will involve providing 7 days a year of service to the WMA to aid it in preparing the Annual Governance and Accountability return.
- 2.5 The committees for each Drainage Board have approved the use of the Internal Audit Manager to provide this service and it will generate £2,800 of income for Fenland District Council.

3 Monitoring

- 3.1 The Internal Audit Plan 2021/22 was approved by the Committee in June 2021. This is later than would normally be expected, but due to committee dates being revised as a result of the Coronavirus pandemic this was the earliest opportunity to present the plan. The delay in presenting the plan did not affect the work of the team and work commenced in April on delivering the Internal Audit Plan for 2021/22.
- 3.2 The exiting arrangements for the Shared Internal Audit Manager with the Borough Council of Kings Lynn and West Norfolk, resulted in a short delay during the first quarter of this year on completion of some Internal Audit reports. The impact of this delay is minimal and is being constantly monitored and continues to have very little impact upon the completion of the Audits as at the end of Quarter 3.
- 3.3 There were 4 audits brought forward from 2020-21, that have been completed. From the 2021-22 Audit Plan, we have issued nine final reports and six are currently at a draft stage and will be issued shortly. There are 11 audits ongoing that are due to be completed by the end of the year and two audits that will be carried forward into 2022-23. The carried forward audits will be reflected in the 2022-23 Audit Plan.
- 3.4 The Internal Audit team are still providing support to the Council's Covid-19 response, particularly around the work of business grants. There has been another round of government funding to support businesses affected by the Omicron variant. This has had a slight impact on the work plan of the internal audit team, resulting in two audits being carried forward to next year's audit plan.
- 3.5 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 throughout the year.

3.6 The following audits have been completed during 2021-22. (Appendix A)

- ARP Enforcement (20/21)
- Business Rates * (20/21)
- Council Tax Billing and Benefits * (20/21)
- Council Tax Recovery and Housing Benefit Overpayments* (20/21)
- Safeguarding
- Land Charges
- Taxi Licensing
- VAT
- Port Assets and Maintenance
- Housing Standards
- Housing Strategy
- Stores – Works
- Cemeteries (draft stage)

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

- Housing Grants – PSR / DFG (draft stage)
- Cemeteries (draft stage)
- Stores (draft stage)
- Legal Services (draft stage)
- Garden Waste (draft stage)
- Business Unit Lettings (draft stage)
- Income / Debt Management Review
- Corporate Finance – Management Accounting Systems
- Trading Operations – Port, Commercial and Marine
- ARP Enforcement
- Procurement
- S106
- Construction Industry Scheme (CIS)
- Licensing – Alcohol
- Payroll
- Local Authority Trading Company (FFL)
- Covid-19 Business Grants – Post Payment Assurance

3.8 Throughout the year other work that the internal audit team have been involved to assist with and to provide additional assurance are detailed below:

- Covid-19 Business Grants
- Covid-19 Discretionary Business Grants
- Fraud Investigation work
- National Fraud Initiative work
- Future High Streets Project
- External Audit appointment process

Appendix A: Audits completed

Audit	Overall opinion	Recommendations			Recommendation Theme
		High	Medium	Low	
Anglia Revenues Partnership – Enforcement (20/21)	Substantial	-	-	-	There were no procedural or control issues identified during the course of the audit
* <i>Business Rates (20/21)</i>	<i>Adequate</i>	3	5	10	<i>The high-risk recommendations relate to reliefs, exemptions and discounts that have been brought into focus as a result of the Coronavirus business grants. A new process for the award of Small Business Rate Relief has been brought into effect from May 2021 and a data cleansing exercise and review of existing ratepayers is underway.</i>
* <i>Council Tax Billing and Benefits (20/21)</i>	<i>Adequate</i>	-	8	7	<i>The medium-risk recommendations relate to Council Tax refund process, Self Employed claimants, and system access controls. Low-risk recommendations are noted for areas of best practice and will not be reported upon.</i>
* <i>Council tax Recovery and Housing Benefit Overpayments (20/21)</i>	<i>Adequate</i>	-	5	2	<i>The medium risk recommendations relate to the recovery of Council Tax and Housing Benefit Overpayments. System access and Housing Benefit Overpayment credit balances</i>
Safeguarding To gain assurance that the Council has robust controls in place that comply with Section 11 of the Children Act 2004. The Care Act 2014 sets out a clear	Adequate	1	7	7	The High-risk recommendation relates to ensuring the public have access to the information to enable them to report safeguarding concerns for vulnerable

legal framework for how local authorities should protect children and adults at risk of abuse or neglect.					adults. The main focus of the other medium recommendations relates to ensuring the policies are up to date and reference current legislation and monitoring our progress with other agencies is completed, accurate and up to date.
Land Charges To gain assurance that there are adequate internal controls and procedures in place for the processing and monitoring of land charge searches and that they are charged for appropriately	Substantial	-	-	2	Land Charge procedural manual needs to be reviewed and updated as appropriate to reflect current working practices, ensuring business continuity and consistency. The transfer to the digitalised Local Land Charge Register is monitored and progressed to agreed timescales.
Taxi Licensing To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate issuance of Licenses for Hackney Carriages, Private Hire, and Operators within the Council.	Adequate	-	3	2	The recommendations include ensuring that the procedure for checking licences is followed consistently. Security of unissued plates and badges should be reviewed. The website link needs to be updated to the correct fees and a review of the cost recovery analysis should be planned to capture the implementation of Digital Journey.
VAT To gain assurance that that the Council has robust procedures and guidance in place demonstrating appropriate treatment of VAT within the Council.	Substantial	-	-	-	There were no procedural or control issues identified during the course of the audit.
Port Assets and Maintenance To gain assurance that that the Council has robust	Substantial	-	-	5	The low-risk recommendations relate to ensuring value for money is obtained for all

procedures and guidance in place demonstrating appropriate policies with regards to the procurement and disposal of port assets and maintenance.					contracts. A review of the maintenance work schedule is required and ensuring that all documentation is retained for disposals of assets.
<p>Housing Standards</p> <p>To gain assurance that that the Council has robust procedures and policies in place for all aspects of Private Sector Housing standards, Houses of Multiple Occupation, and caravan site licensing.</p>	Adequate	-	2	1	The recommendations relate to ensuring procedures are up to date and followed and effective monitoring and reporting arrangements are updated and followed.
<p>Housing Strategy</p> <p>To gain assurance that the Council has robust procedures in place, demonstrating appropriate treatment of applicants when applying for housing within the District. Included a review of the Choice Based Letting scheme and Housing Needs assessment.</p>	Substantial	-	-	-	There were no procedural or control issues identified during the course of the audit.

* Audits conducted by ARP partner authorities