


Agenda Item No:	<b>9</b>	
Committee:	<b>Audit and Risk Management</b>	
Date:	<b>4 December 2024</b>	
Report Title:	<b>Internal Audit Plan 2024-25 Progress Report Q1 &amp; Q2</b>	

### **Purpose / Summary**

- To report progress against the Internal Audit Plan 2024/25 for the first and second quarters (1 April to 30 September 2024) and the resulting level of assurance from the planned work undertaken.
- To provide an update to members on the resourcing situation within the Internal Audit team.

### **Key issues**

- The Council's Internal Audit Plan is produced on an annual basis. It is an estimate of the work planned for 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. The new Global Internal Audit Standards launched in January 2024 are, together with a new Application Note for the UK public sector, effective from 1 April 2025.
- Performance Standards of the PSIAS and the new Global IA Standards require the Chief Audit Executive to report to the Committee on the Internal Audit activity and performance relative to the Plan.
- Audit and Risk Management Committee approved the Internal Audit Plan 2024/25 on 25 March 2024.
- Proactive quarterly monitoring of the Internal Audit plan will enable the Committee to understand the Internal Audit activity which has successfully taken place and the associated assurance level.

- The Standards require that progress tracking and confirmation is carried out and status reports prepared on the implementation of audit recommendations/ agreed actions.

### Recommendations

For Members of Audit and Risk Management 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 Chris Boden – Leader and Finance Portfolio Holder
<b>Report Originator(s)</b>	Deborah Moss – Head of Internal Audit
<b>Contact Officer(s)</b>	Peter Catchpole - Corporate Director & s151 Officer <a href="mailto:pcatchpole@fenland.gov.uk">pcatchpole@fenland.gov.uk</a> 01354 622201 Deborah Moss – Head of Internal Audit
<b>Background Paper(s)</b>	Annual Risk-Based Internal Audit Plan 2024/25 Internal Audit Outturn 2023/24 Internal Audit Reports Internal Audit's Agreed Actions Spreadsheet

## 1 Background / Introduction

- 1.1 This report includes details of the Internal Audit activity undertaken in the first and second quarters of 1 April to 30 September 2024 plus additional update to the end of October.
- 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
  - new risk or issue identified
  - changes of staff
  - changes in software
  - changes in procedures and processes
  - changes in service demand
- 1.3 In respect of Internal Audit resources, the current situation is that there are three staff in the Internal Audit Team. Posts previously filled by contractors via agencies have now been filled by permanent employees: the Head of Internal Audit (with Manager and local authority experience) commenced in May 2024, and a full-time Auditor (with no local authority experience) in July 2024. The other Auditor position is held by a part-time (term-time only) FTE, who has been with the Council since 2001 and in Internal Audit since 2008. Professional qualification is held only by the Head of Internal Audit.
- 1.4 The team is now fully resourced, but productivity will be impacted by training needs and review of working procedures.

## 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/S.151 Officer. Each report contains a management action plan, with target implementation dates, that has been agreed with Service Managers to address any observations and recommendations raised by the Internal Auditor. Progress on these actions is monitored on a regular basis.
- 2.2 **Audits completed** (Appendix A): The following audits have been completed in 2024/25. Significant time has been spent carrying out or completing the remaining 2023/24 audits in the current 2024/25 year.
  - Planning follow-up
  - Debtors & Collection Agency 23/24
  - Port Berthing (Special Audit) 23/24
  - Trading Operations – Estates 23/24
  - ICT Cyber Security 23/24
  - Corporate Assurance – Information & Data Management 23/24
  - Emergency Planning & Business Continuity Planning 23/24
  - Insurance

- Port Berthings follow-up
- Housing Options follow-up
- Debtors & Collections Agency follow-up
- Economic Development – Grants
- Disabled Facilities Grants (annual return)
- Legal Services

2.3 **Audits in Progress:** The following audits are in progress and will be reported to the committee in future progress reports:

- Taxi Licensing – draft report
- Recycling Facilities – in progress
- Contract management – Leisure – draft report
- Performance Management – in progress

2.4 **Audit Plan changes:** It is suggested the following changes be made to the Audit Plan:

- Contract Management – Highways Contract – removed as the contract for Street Lighting is too close to inception for a review. This will be considered for inclusion in the 2025/26 Audit Plan.
- It is anticipated that further audits may need to be removed from this year's Plan or carried forward to next year.

2.5 **Other work:** In the first two quarters of the year other work that Internal Audit has been involved to assist with and to provide additional assurance are detailed below:

- Risk Management Group
- Corporate Governance Group
- Debt Management Policy working group
- Following up outstanding recommendations
- Employee Car Loans procedure
- Working with Transformation Team on various subjects and issues

2.6 **Outstanding Audit Issues/Recommendations**

Appendix B shows the number of outstanding Audit issues from 2021/22 to 2023/24 to date. Internal Audit is working with Service Managers to ensure that recommendations are implemented by the agreed target dates or, if not, that requested date extensions can be justified. Status and progress updates have been included from the action owner where relevant and inform committee what action has been taken to date.

Appendix A – Completed Audits 2024/25

Audit Area and Audit Objective	Overall Audit Opinion	High	Medium	Low	Issue Summary & Action or Status
<p><b>Debtors &amp; Collection Agency 23/24</b></p> <p><i>To gain assurance that there are appropriate levels of internal controls for the administration of debtors and collection and that it is monitored and managed efficient and effectively.</i></p>	Limited	3	5	1	<p>The high risks relate to</p> <p><i>an out-of-date Debt Policy. A working group has been set up and a draft policy prepared and will be presented to ARMC in early 2025.</i></p> <p>Decision needed on how the sundry debtors service will be provided and resourced.</p> <p>Service Departments to be provided with debts relating to their service provision for their intervention and assistance in recovering debts</p> <p>The medium issues relate to issues that are being progressed:</p> <ul style="list-style-type: none"> <li>• A £200k bad debt with a lien on property, where recovery action has been exhausted and other legal options are being explored.</li> <li>• Leaver's process reviewed on expectations when an employee gives notice to terminate their employment and are a debtor to the Council.</li> <li>• 120 credit amounts to be actioned/removed.</li> <li>• Amounts and longevity of outstanding debts reviewed, with a view to writing-off debts fitting write off guidelines.</li> </ul>
<p><b>Port Berthings 23/24</b></p> <p><i>To gain assurance that the Port of Wisbech,</i></p>	Limited	3	5	0	<p>The high level risks related to:</p> <ul style="list-style-type: none"> <li>- Inconsistent raising of invoices and debt recovery.</li> </ul>

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<p><i>Cross Keys Marina and other vessel berthing locations in Fenland have robust policies and procedure in place for the administration and management of the berthing of vessels. This includes the appropriate management of income collection and record keeping.</i></p>					<ul style="list-style-type: none"> <li>- Inconsistent recording and invoicing of staff-owned vessels</li> <li>- Use of the workshop to ensure only repair vessels are stored there.</li> </ul> <p>Medium risk issues/actions related to:</p> <ul style="list-style-type: none"> <li>- The prompt and accurate raising of berthing invoices in accordance with agreed terms and conditions.</li> <li>- Terms and Conditions enforced where a 'lien' has been placed on a vessel</li> <li>- Port's finances oversight at Port Management Group</li> <li>- Cost benefit analysis performed to verify weekend arrivals/visitors.</li> <li>- Cash payments in exceptional circumstances only.</li> </ul> <p>Update is provided at the follow-up audit detailed further below.</p>
<p><b>Trading Operations – Estates 23/24</b></p> <p><i>To gain assurance that the key business objectives for the service provide the basis for ensuring that the strategy, management and admin of Council property is efficient &amp; effective.</i></p>	<p>Adequate</p>	<p>1</p>	<p>4</p>	<p>0</p>	<p>The high risk related to the out-of-date Asset Management Plan which had inaccuracies and incomplete actions.</p> <p>Asset management is currently fragmented within services and is to be centralised and managed corporately by the Estates team.</p> <p>Inefficiency with the management and administration of Estates, which uses unsecure and potentially inaccurate spreadsheets currently. <i>Procurement of a suitable dedicated system is being considered with the assistance of Transformation.</i></p> <p>The portfolio spreadsheets review and update with accurate cell data and formulae.</p> <p>Staff guidance notes for processing of application is required.</p>

Appendix A – Completed Audits 2024/25

<p><b>ICT Cyber Security 23/24</b></p> <p><i>to gain assurance that there are appropriate levels of internal controls for cyber security across the Council.</i></p>	<p>Adequate</p>	<p>1</p>	<p>5</p>		<p>Mandatory training had not been completed by all staff nor a phishing exercise carried out. <i>This has now been done and a new updated and enhanced training module also rolled out to all staff for completion. An unexpected phishing exercise has also been completed.</i></p> <p>The current Cyber Security Plan was not detailed sufficiently to specify the position of the Council in relation to planning against cyber-attacks. <i>One is now being developed.</i></p> <p>A need to ensure that all new staff (and members) do not have access to Council systems until relevant induction training has taken place.</p> <p>Developing a suitable suite of reports for CMT that covers, for example, the number of cyber-attack attempts.</p> <ul style="list-style-type: none"> <li>• Validation by ICT of any key issues raised by third-party penetration testers, cross-referencing of the raised issues to previously raised issues and documenting a plan of resolution for all issues.</li> </ul> <p>Review the Active Directory to reduce the length of time email accounts are left open after departure of the staff member. <i>Completed.</i></p>
<p><b>Development – Planning - Follow-up Audit</b></p> <p><i>to gain assurance that the governance, risk and financial elements of the Planning Strategy and Process are efficient and effective.</i></p>	<p>Adequate</p>	<p>0</p>	<p>3</p>	<p>0</p>	<p>Additional resources to recruit permanent staff onto the team to bring the S.106 process up to date. <i>A s.106 Monitoring Officer has been recruited.</i></p> <p>A review of service risks that may need to be incorporated into the Corporate Risk Register. <i>Risk assessments have been completed and will be added to the corporate risk register.</i></p> <p>A review of how our Planning Policy, S.106 and Ecology would be provided following the loss of support from a neighbouring</p>

Appendix A – Completed Audits 2024/25

					council. <i>Implemented - Planning Policy Officer and a Manager appointed, and use being made of an existing service level agreement whilst consideration is made of the other areas.</i>
<p><b>Corporate Assurance – Information &amp; Data Management 23/24</b></p> <p><i>To gain assurance that the Council has a robust framework in place for the Council’s information and data management, demonstrating compliance with the General Data Protection Regulations and the Data Protection Act 2018, and to assess the effectiveness of the governance, risk management and internal control (GRC) framework for information and data management.</i></p>	Adequate	0	4	1	<p>Data and media containing data are not labelled to indicate sensitivity level; data classification labels to be used to mitigate risk of data breach. <i>The council is considering whether data classification options and whether it wants to adopt.</i></p> <p>Information Asset Register is out of date and will be regularly reviewed to reflect current arrangements.</p> <p>Staff not aware of requirement to complete Data Protection e-learning training on a regular basis. An updated training program is being devised serving as refresher training to all staff and learning module for new staff. <i>Implemented - mandatory training introduced.</i></p> <p>Data protection impact assessments to be carried out before any data processing that results in high risk. <i>Implemented - now used for all new projects.</i></p> <p>The secure handling of physical customer original documentation requires a clear procedure note. <i>Implemented.</i></p>
<p><b>Emergency Planning &amp; Business Continuity Planning 23/24</b></p> <p><i>to gain assurance that the key business objectives for EP and BCP, as covered by the audit scope, were met appropriately.</i></p>	Adequate	0	7	1	<p>A corporate BCP exercise has not been conducted since the Covid19 pandemic enforced one. The BC Plan will be exercised more extensively including discussions with services for plan completion, tabletop exercises and finally a full exercise.</p>
<p><b>Contract Register 23/24</b></p>	Adequate	0	4	1	<p>Control improvement will be made by way of:</p>



Appendix A – Completed Audits 2024/25

				<ul style="list-style-type: none"> <li>- Contracts signed before work starts, or by exception, a letter of intent as commitment between the parties</li> <li>- Contracts securely retained and indexed in central repository</li> <li>- Greater forward planning for future contracts</li> <li>- A Contract Management Policy and associated standards and guidance toolkit, available to all contract managers</li> <li>- Use of standard terms and conditions.</li> </ul>
<p><b>Port Berthings follow-up</b></p>	<p>Reasonable</p>			<p>Improved invoice raising and tighter debt recovery process. <i>Historic debt has been invoiced and aged debts reports produced for monitoring and recovery purposes.</i></p> <p>There was an inconsistent approach to recording and invoicing of staff vessels and others. <i>Historic invoices have been raised and My Fenland Advisors for Marine Services are raising the invoices and monitoring the debt.</i></p> <p>Enforcement of terms and conditions at the Yacht harbour and action taken where a lien is secured on a vessel. <i>Legal action to be taken is still under consideration.</i></p> <p>Port finances are now to be included in the formal Port Management Group meetings to ensure that adequate governance is in place. The Group’s terms of reference is recommended to include finance accountabilities.</p> <p>Other improvements included looking at ways to ensure temporary weekend berthing’s are identified and income recovered in a practical way, and cash payments only being accepted in exceptional circumstances. <i>The Transformation team used these Audit findings and actions to progress improvement.</i></p>

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<p><b>Housing Options follow-up</b></p>	<p>Reasonable</p>	<p>0</p>	<p>4</p>	<p>0</p>	<p>A non-compliance with the Code of Procurement and procurement regulations, meant that value for money could not be relied upon. <i>A successful tender exercise has meant the Council now has list of bidders that are used to allocate homeless applicants while ensuring value for money for the Council. Quotes are now obtained for removal and storage suppliers. A new procedure and process is in place for preferred contractor(s).</i></p> <p>Closer monitoring of the number of households in longer term B&amp;B accommodation was required to ensure The Council did not exceed the statutory 6 weeks.</p> <p><i>Tender exercises were needed for accommodation, storage and cleaning to ensure compliance with procurement regulations and ensure ‘value for money’.</i></p> <p>The audit also recommended updates with new legislation and guidance: the Homeless Strategy and the guidance are up to date, reviewed in accordance with legislation, and develop a Temporary Accommodation Procurement Strategy.</p>
<p><b>Debtors &amp; Collections Agency follow-up</b></p>	<p>Limited</p>	<p>3</p>	<p>5</p>	<p>1</p>	<p>The high risk related to the need for a review and update of the Corporate Debt Policy.</p>
<p><b>Disabled Facilities Grants (annual return)</b></p>					<p>The annual review provides assurance from a sample of DFGs reviewed that awards are made within the terms and conditions of the grant funding. An appropriate declaration was able to be made to the County Council who report back to government.</p>
<p><b>Economic Development – Grants</b></p>	<p>Reasonable</p>	<p>1</p>	<p>0</p>	<p>0</p>	<p>The Economic Growth Folder needs to be segmented into a logical hierarchy of folders and sub-folders. <i>The CRM will be</i></p>

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	e				<p><i>the central repository of business information including grants applications and the associated supporting documentation.</i></p> <p>Acknowledging that the recently introduced “Evolutive” CRM system for the tracking of applications will provide consistency in recording appropriate documentation and only allowing applications to proceed on receipt of the information. <i>However, it was agreed that the Grant Claims since 2022 will be verified as having all appropriate supporting documentation.</i></p>
<b>Insurance</b>	Reasonabl e	1	5	1	<p>No formal succession planning for the Insurance Service.</p> <p>No guidance notes of the range of essential elements to provide the council, its assets, employees and customers with assurance by way of appropriate insurance.</p> <p>Not been possible to obtain any assurance to verify that all our Street Pride Groups are compliant with the 78 policy conditions to make the insurance valid, or null and void.</p> <p>Insurance elements of the Finance Service Plan and Business Risk Assessment need to be updated.</p> <p>Recording, tracking and reporting claims need to be formalised.</p> <p>Consideration is to be given to investing in in-cab cameras</p> <p>All insurance claims made against the council need to be cross-referenced with services who may have current dealings with the claimant.</p>
<b>Legal Services</b>					Internal Audit made recommendations, but these were agreed to

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<p><i>to gain assurance that there are appropriate levels of governance, risk management and internal controls for the administration and provision of the legal service and advice, it is relevant and appropriate and provides a cost efficient and effective service to the Council, in accordance with the Council's policies and any relevant legislation.</i></p> <p><i>The scope did not cover the appropriateness of the contract or consider other operating model options for Legal provision for FDC.</i></p>					<p>be left in abeyance until such time as a decision is made on the future provision of a legal service for FDC.</p>
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## Appendix A – Completed Audits 2024/25

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 *	Definition *
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance <i>(previously called Adequate)</i>	There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

In applying the most appropriate level of opinion the internal auditor will use their professional judgement, based on the results of the audit, consideration of risk and consequences of areas of weakness for the organisation.

*\* The above definitions are based on an analysis of existing practice and common definitions, taking into account the PSIAS definition of internal audit, standard definitions for internal audit assurance over an engagement.*

Appendix B – Recommendation Status 2021/22 to 2024/25

<b>Total Recommendations 2021/22</b>				
	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>
<b>Total Recommendations</b>	<b>6</b>	<b>31</b>	<b>40</b>	<b>77</b>
<b>Implemented/Complete</b>	<b>5</b>	<b>26</b>	<b>39</b>	<b>70</b>
<b>Not Yet Due</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overdue</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>7</b>

NB. This table does not include the recommendations made in relation to the ARP audits, conducted by partner authorities as they are reported to their respective authorities at this stage.

Although there are seven overdue actions, they are all being progressed and are almost at completion point. Reports on overdue actions are now taken to Management Team to support Services to implement and to allow CMT opportunity to challenge progress and provide additional support where needed.

The outstanding high-risk issue relates to Trading Operations – Port Commercial & Marine where there was no formal agreement with Lincolnshire CC for Cross Keys Marina. The lease and operating agreement are now agreed and a sub-tenant amendment request is awaiting their approval and is being chased.

The outstanding medium-risk issues relate to Safeguarding (training on the updated policy which is to be implemented via the new HR Training platform once it is completed) and to Procurement (code of procurement & procurement strategy – awaiting new legislation later in 2024) - these have been reviewed and noted that the actions will be aligned to the new legislation date of Feb 2025.

<b>Total Recommendations 2022/23</b>				
	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>
<b>Total Recommendations</b>	<b>3</b>	<b>11</b>	<b>9</b>	<b>23</b>
<b>Implemented/Complete</b>	<b>3</b>	<b>11</b>	<b>9</b>	<b>23</b>
<b>Not Yet Due</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overdue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

NB. This table does not include the recommendations made in relation to the ARP audits, conducted by partner authorities as they are reported to their respective authorities at this stage.

All recommended actions for the year 2022/23 have been implemented and closed.

<b>Total Recommendations 2023/24</b>				
	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>
<b>Total Recommendations</b>	<b>9</b>	<b>54</b>	<b>5</b>	<b>68</b>
<b>Implemented/Complete</b>	<b>4</b>	<b>24</b>	<b>2</b>	<b>30</b>
<b>Not Yet Due</b>	<b>0</b>	<b>14</b>	<b>1</b>	<b>15</b>
<b>Overdue</b>	<b>5</b>	<b>16</b>	<b>2</b>	<b>23</b>

## Appendix B – Recommendation Status 2021/22 to 2024/25

NB. This table does not include the recommendations made in relation to the ARP audits, conducted by partner authorities as they are reported to their respective authorities at this stage.

The high-risk actions relates to the need for an Asset Management Plan. The Head of Service has informed that this will be completed this financial year; completion of a cyber action which is to be reperformed again for monitoring in Jan25; and Debtors actions all of which are in progress.

The remainder of the overdue and open actions are being monitored for completion by Audit.

### **2024/25**

Audit actions from 2024/25 remain Open/In Progress and will be monitored and reported at the next Progress Report to Committee.