

# Internal Audit Progress Report Audit & Standards Committee (November 2022)

Fylde Borough Council

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## Your Team

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## Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

## 1 Introduction

This report provides an update to the Audit and Standards Committee in respect of the progress made in against the Internal Audit Plans for 2021/22 and also 2022/23 and brings to your attention matters relevant to your responsibilities as members of the Audit and Standards Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Audit and Standards Committee.

This progress report covers the period 12 July – 24 October 2022.

## 2 Executive Summary

There has been the focus on the following areas:

2021/22 Audit Reviews	<p>Since the previous Audit and Standards Committee, the following reviews have been finalised:</p> <ul style="list-style-type: none"><li>• <b>Key Financial Controls</b> (Substantial Assurance)</li><li>• <b>NNDR and Council Tax</b> (Substantial Assurance)</li><li>• <b>Section 106 Planning</b> (Moderate Assurance)</li></ul> <p>We have also completed reasonable checks on the Local Authority Test and Trace Support Payment Scheme Funding submission to ensure that conditions of the fund were met. Along with providing advice on the Energy Grant Discretionary Payments.</p> <p>Refer to Appendix C for details of Key Areas and Actions to be delivered.</p> <p>The reviews below are currently at draft report stage or are in progress:</p> <ul style="list-style-type: none"><li>• Data Sharing Protocols (draft report)</li><li>• Property Repairs and Maintenance (work in progress)</li></ul>
2022/23 Audit Reviews	<p>The following 2022/23 reviews are progressing in fieldwork stage:</p> <ul style="list-style-type: none"><li>• <b>Cyber Security and Mobile Devices Follow-up Review</b> (verbal update to be provided to the Committee)</li><li>• <b>Conflicts of Interest</b></li><li>• <b>Homelessness</b></li><li>• <b>Apprenticeships</b></li></ul> <p>The following 2022/23 reviews have agreed Terms of Reference and are due to start imminently or are being scoped:</p>

	<ul style="list-style-type: none"> <li>• <b>Budgeting</b></li> <li>• <b>Prevent Duty</b></li> <li>• <b>Key Financial Controls</b></li> <li>• <b>Freedom of Information and Subject Access Requests</b></li> </ul> <p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2022/23.</p> <p>Appendix B provides information on Internal Audit performance.</p>
Follow Up	<p>A summary of the current status of follow-up activity is included in Appendix C, however, we would draw the committee's attention to the following:</p> <ul style="list-style-type: none"> <li>• Progress has been made in the completion of outstanding actions from Moderate and Limited assurance reports issued by the previous audit team, these actions were not risk rated. 61 out of 75 actions have been completed. Of the remaining 14 actions, 10 are in progress with a further two actions either not started or postponed.</li> <li>• A separate table details the actions arising from MIAA reports including risk ratings. Of the outstanding 26 actions 19 are not yet due.</li> </ul>
Audit Plan Changes	<p>Audit and Standards Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p> <ul style="list-style-type: none"> <li>• We have used Contingency to complete reasonable checks on the Test and Trace Support Payment Scheme Funding Grant submission and ensure that conditions of the fund were met. We have also provided some advisory work on the Energy Support Grant Discretionary Payments.</li> <li>• We propose to reschedule the Payroll – Blackpool Controls review from Quarter 3 to Quarter 4. This is due to a new payroll computer system being introduced in Quarter 3.</li> <li>• We propose to reschedule the Freedom of Information and Subject Access Requests from Quarter 3 to Quarter 4. This is due to resourcing challenges at the Council.</li> </ul>
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. Public Sector Internal Audit Standards (PSIAS) require MIAA to 'develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.' This programme must include internal and external assessments.</p>

	<p>External assessments must be conducted at least once every five years. Our last external assessment was completed in 2020 and concluded MIAA fully complies with PSIAS (as previously reported to Audit Committee).</p> <p>We also undertake regular internal assessments to ensure our ongoing compliance with requirements. We have recently completed our annual self-assessment of compliance with PSIAS and can confirm full compliance with PSIAS.</p>
Insights	<p>Collaborative Masterclass Events</p> <ul style="list-style-type: none"><li>• <a href="#"><u>Digital as Disrupter (24<sup>th</sup> November 2022)</u></a></li><li>• <a href="#"><u>The Psychology of Leading High Performance Teams (8<sup>th</sup> December 2022)</u></a></li><li>• <a href="#"><u>Leading for Social Justice and Health Equality (2<sup>nd</sup> February 2023)</u></a></li></ul>

## Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2022/23:

HOIA Opinion Area	Status	Assurance Level
<b>Risk Management</b>		
Risk Management	Qtr 4	
<b>Risk Based Assurances</b>		
Payroll – Blackpool Controls	Qtr 4	
Homelessness	In progress	
Freedom of Information and Subject Access Requests	Planning (fieldwork to be moved to Qtr 4)	
Cyber Security and Mobile Devices Follow-up	In progress	
Conflicts of Interest	In progress	
Budgetary Controls	Planning	
Prevent Duty	Planning	
Apprenticeships	In progress	
Key Financial Controls	Planning	
Planning System Post Implementation	Qtr 3	
Externally Managed Events	Qtr 4	
Recruitment	Qtr 4	
Kirkham Regeneration	Qtr 4	
<b>Follow-Up</b>		
Quarter 1	Complete	
Quarter 2	Complete	

HOIA Opinion Area	Status	Assurance Level
Quarter 3	Qtr 3	N/A
Quarter 4	Qtr 4	

#### 2021/22 Audit Reviews

Property Repairs and Maintenance	In progress	
Data Sharing Protocols	Draft Report	
NNDR & Council Tax	Completed	Substantial
Key Financial Controls	Completed	Substantial
Section 106	Completed	Moderate

#### Management

Head of Internal Audit Opinion/Annual Report/Annual Governance Statement	Ongoing	N/A
Planning and Management		
Reporting and Meetings		
Contingency	Resource used to perform Local Authority Test and Trace Support Payment Scheme Funding Opinion and Energy Grant Advisory work.	N/A

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.



## Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Ongoing	Green	Questionnaire issued with each audit report.
Percentage of recommendations raised which are agreed	Quarterly	Green	Actions agreed by the Council on all recommendations raised.
Percentage of recommendations which are implemented – reports issued pre April 2021.	Quarterly	Amber	Most recommendations have been implemented or are in progress. However, there are still some outstanding from reports issued before 2020.
Percentage of recommendations which are implemented - reports issued post April 2021	Quarterly	Green	Recommendations not yet due for follow up have been completed or are in progress.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

## Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Key Financial Controls			
Executive Sponsor	Chief Financial and Section 151 Officer			
Objective	To provide assurance that the most significant key controls within the systems of general ledger, accounts payable and accounts receivable are appropriately designed and operating effectively.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	3 x Medium	5 x Low
Summary	<p>Overall, the review identified that controls were generally well designed and operating effectively.</p> <p>There was segregation of duties and management oversight within the purchasing system and reconciliation of the sales and purchase ledgers to the general ledger. There was a formal process for authorised signatories to request the raising of invoices and credit notes and once raised, these require authorisation in the system.</p> <p>Access to the Civica Financials ledger system could be improved with regard to the input of journals and supplier bank details.</p> <p>There were examples where orders had to be raised retrospectively after the receipt of invoices to enable payment of supplier invoices.</p> <p>Certain debt recovery actions and write offs were restricted during Covid – 19. However, system generated reminder letters recommenced from May 2022.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	NNDR & Council Tax			
Executive Sponsor	Chief Financial and Section 151 Officer			
Objective	To evaluate the effectiveness of the controls in place to manage key risks that would affect the effective operation of the system for National Non-Domestic Rates (NNDR) and Council Tax.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	3 x Medium	2 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively with Blackpool Council administering the Council Tax and NNDR provisions on behalf of Fylde Council.</p> <p>We confirmed that the Councils jointly had in place effective processes around the collection of NNDR and Council Tax by ensuring that the database of properties remained up to date in line with Valuation Office Agency. Discounts and exemptions and debt recovery processes were in place to recover arrears and approve refunds and write offs.</p> <p>Controls could be further improved with implementation of procedural guidance for activities and ensuring reconciliations between the Council Tax and General Ledger systems are completed on a timely basis. Additionally, reconciliations between the council systems and enforcement data should be implemented. The recommencement of recovery quality checks would further enhance controls to identify unknown errors and target training needs where applicable.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	Section 106 Planning Review			
Executive Sponsor	Chief Executive			
Objective	To evaluate the controls in place to manage key risks which would affect the effective operation of the organisation's system for the management of Section 106 (s106) agreements, and obligations which are entered into are enforced and met.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	4 x Medium	3 x Low
Summary	<p>S 106 agreements are made between the council and developers to secure financial contributions and other measures which a developer must contribute to reduce the impact of that development on the infrastructure available to a local community.</p> <p>Overall, the review identified that there was an adequate system of internal control with some areas requiring improvements.</p> <p>Whilst the Council had a mechanism for recording and monitoring s106 agreements, this was primarily carried out by one member of staff, additionally there was a lack of procedural documentation. Consequently, a priority area for action is to ensure business continuity arrangements are put in place.</p> <p>It was confirmed that the Council had robust governance arrangements in the approval of s106 agreements with final approval being sought by relevant committees. However, this could be improved with further committee monitoring and reporting. Information published on the Council's website could also be improved.</p> <p>The Council had policies in relation to types of schemes in which s106 agreements can be entered into, with this being maintained within the Council's Local Plan to 2032.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

## Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at October 2022.

Previous Fylde Borough Council Audit Team Recommendations from Limited or Moderate Rated Reports. No risk ratings were assigned to recommendations.

AUDIT TITLE (YEAR ISSUED)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				Comments
			✓/S	P	X	Not due	
Commercial Property (2019/20)	9	Limited	5	2	2	-	Resources and catching up on workloads post Covid-19. A revised Asset Management Plan is being developed. Expected completion by December 2022.
Environmental Permitting Regs (2019/20)	6	Limited	5	1	-	-	Remaining action to create an Enforcement almost complete
Fuel Consumption (2019/20)	9	Limited	8	1	-	-	The outstanding action will be completed once the meetings between Parks and FMS teams recommence. This is expected to be January 2023.
Event Management (2019/20)	15	Limited	14	1	-	-	There is one action outstanding and in progress.
Contract Procedure Rules (2020/21)	5	Moderate	4	1	-	-	One action outstanding regarding training. Action is in progress.
Sundry Debtors (2019/20)	8	Moderate	7	1	-	-	One action outstanding expected to be completed imminently.
VAT (2019/20)	3	Moderate	2	1	-	-	Remaining action in progress expected to be completed by December 2022.
Heritage Assets (2019/20)	5	Moderate	3	2	-	-	The actions outstanding are regarding the completion of risk assessments.
Homeless Reduction (2019/20)	5	Moderate	5	-	-	-	All actions completed or superseded with the current Homeless Review.
Payroll (2020/21)	10	Moderate	8	-	-	2	Actions are not yet due.
TOTALS	75		61	10	2	2	

## MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Asset Disposals (2021/22)	7	Limited	5	2	-	-	-	1	1	-
Housing Benefits (2021/22)	3	Substantial	-	3	-	-	-	-	3	-
Project Management (2021/22)	1	Moderate	-	1	-	-	-	1	-	-
Risk Management (2021/22)	7	Moderate	1	-	-	6	-	1	3	2
Health & Safety (2021/22)	6	Moderate	5	-	1	-	-	-	-	1
Shared Service and Third Party Assurance (2021/22)	4	Substantial	2	--	-	2	-	-	-	2
Treasury Management (2021/22)	2	High	1	-	-	1	-	-	-	1
Key Financial Controls (2021/22)	8	Substantial	6	-	-	2	-	-	1	1
NNDR & Council Tax (2021/22)	5	Substantial	1	-	-	4	-	-	2	2
S106 (2021/22)	8	Moderate	4	-	-	4	-	1	2	1
TOTALS	51		25	6	1	19	-	4	12	10

### Key to recommendations:

- ✓/S Implemented or Superseded
- P Partially implemented/recommendation in progress
- X Recommendation not implemented
- ND Not due for follow up
- C Critical priority recommendation
- H High priority recommendation
- M Medium priority recommendation
- L Low priority recommendation

**Asset Disposals** – The GRACE system requires update along with the Corporate Verification document, these are in progress and expected to be completed by March 2023

**Housing Benefits** – All actions are in progress and expected to be completed by November 2022.

**Project Management** – The new Project Management Officer has now taken up the post and expects the action to be completed by 31<sup>st</sup> December 2022.

**Risk Management** – Remaining actions not yet due, to be completed by the newly appointed Risk Manager by 31<sup>st</sup> December 2022. Outstanding High risk recommendation is to provide training and guidance notes for the use of GRACE.

**Health & Safety** – Outstanding low priority recommendation is for computer training to be made available at the depot, this along with other options is being explored.

**Shared Service and Third Party Assurance** – Two low priority recommendations not yet due.

**Treasury Management** – One low priority recommendation not yet due.

**Key Financial Controls** – Two recommendations not yet due.

**NNDR & Council Tax** - Four recommendations not yet due.

**S106** – All recommendations not yet due.

## Appendix E: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function, or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
High	Control weakness that has or could have a significant impact upon the achievement of key system, function, or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> <li>has a low impact on the achievement of the key system, function, or process objectives.</li> <li>has exposed the system, function, or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
Low	Control weakness that does not impact upon the achievement of key system, function, or process objectives; however, implementation of the recommendation would improve overall control.