

# Internal Audit Progress Report Audit & Standards Committee (March 2023)

Fylde Borough Council

# Contents

## 1 Introduction

## 2 Key Messages for Audit & Standards Committee Attention

### Appendix A: Contract Performance

### Appendix B: Performance Indicators

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

### Appendix D: Follow-up of Previous Audit Actions

### Appendix E: Assurance Definitions and Risk Classifications

## Your Team

Name	Role	Contact Details
Louise Cobain	Engagement Lead	Louise.Cobain@miaa.nhs.uk 07795 564916
Fiona Hill	Engagement Manager	Fiona.Hill@miaa.nhs.uk 07825 592842

## 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 9 January 2023 – 6 March 2023.

## 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 2021/22 Internal Audit Plan has been completed and the following review has been finalised:</p> <ul style="list-style-type: none"><li>• <b>Property Repairs and Maintenance</b> (Limited Assurance)</li></ul> <p>Refer to Appendix C for details of Key Areas and Actions to be delivered.</p>
2022/23 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>Conflicts of Interest</b> (Substantial Assurance)</li><li>• <b>Budgetary Control</b> (High Assurance)</li><li>• <b>Prevent Duty</b> (Briefing Note assurance level not provided)</li></ul> <p>Refer to Appendix C for details of Key Areas and Actions to be delivered.</p> <p>The following 2022/23 reviews are at draft report stage or are in progress:</p> <ul style="list-style-type: none"><li>• <b>Apprenticeships</b> (Draft Report)</li><li>• <b>MasterGov Planning System Review</b> (Draft Report)</li><li>• <b>Key Financial Controls</b> (In progress)</li><li>• <b>Freedom of Information and Subject Access Requests</b> (In progress)</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>Kirkham Regeneration Project Review</b></li><li>• <b>Risk Management</b></li><li>• <b>Recruitment</b></li></ul>

	<ul style="list-style-type: none"> <li>• <b>Externally Managed Events</b></li> <li>• <b>Payroll – Blackpool Controls</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>Good progress has been made on the outstanding actions raised by the previous audit team, with just six remaining. However, two of the Commercial Property Review actions are with regard to the creation of an Asset Management Group and an Asset Management Plan, we understand that these are not expected to be completed until April 2024 and September 2024 respectively.</p> <p>From the recommendations raised by MIAA all have either been completed or are in progress, except for those which are not yet due.</p> <p>For information, a summary of the status of follow-up activity is included in Appendix D.</p>
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>• There are no current proposals to amend the approved audit plan.</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>
Cyber Essentials	<p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security in order to protect not only our information and systems but to protect the data we collect and create through our audit and advisory activities with clients.</p> <p>We have consistently submitted a compliant NHS Data Security and Protection Toolkit return and have, for several years, been certified to the national Cyber Essentials standard.</p>

	<p>This October, however, we enhanced this further becoming one of only circa 20 NHS organisations certified to the more exacting Cyber Essentials Plus standard. Certification to this standard required rigorous independent testing of our cyber security controls across our devices. That we have achieved this certification is a demonstration not only of the security of our devices but also a validation of the proactive monitoring and maintenance that we have in place to protect data and systems from malicious threats.</p>
Insights	<p>Collaborative Masterclass Events</p> <ul style="list-style-type: none"><li>• <a href="#">Outlook for the Public Sector 2023 - MIAA</a> (20<sup>th</sup> April 2023)</li><li>• <a href="#">MIAA Audit Committee Members Event - MIAA</a> (21<sup>st</sup> June 2023)</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
Risk Management		
Risk Management	Planning	
Risk Based Assurances		
Payroll – Blackpool Controls	Qtr 4	
Homelessness	Complete	Moderate
Freedom of Information and Subject Access Requests	In progress	
Cyber Security and Mobile Devices Follow-up	Complete	Confidential
Conflicts of Interest	Complete	Substantial
Budgetary Controls	Complete	High
Prevent Duty	Complete	Not Applicable
Apprenticeships	Draft Report	
Key Financial Controls	In progress	
Planning System Review	Draft Report	
Externally Managed Events	Qtr 4	
Recruitment	Qtr 4	
Kirkham Regeneration	Planning	
Follow-Up		
Quarter 1	Complete	
Quarter 2	Complete	

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

#### 2021/22 Audit Reviews

Property Repairs and Maintenance*	Complete	Limited
Data Sharing Protocols *	Complete	Limited
Section 106*	Complete	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.

\*These reviews were delivered during 2022/23, as requested by the Council and as such will be included in the 2022/23 Head of Internal Audit Opinion.

## 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	Property Repairs and Maintenance			
Executive Sponsor	Head of Technical Services			
Objective	To provide assurance that repairs and maintenance activities for Council owned properties are adequately controlled and managed and that competitive prices are obtained for services and materials provided.			
Assurance Level	Limited			
Recommendations	0 X Critical	3 x High	4 x Medium	1 x Low
Summary	<p>The review has identified that whilst management were confident maintenance activities were in place, record keeping evidencing these undertakings was lacking and required significant improvement. Additionally, the team resources, which were already modest, had been significantly impacted because of the pandemic, and long-term sickness within the team. In August 2022, the Estates and Asset Manager also left the team.</p> <p>The priority areas identified for improvement relate to a lack of individual property planned maintenance schedules, with only ad hoc and reactive maintenance being completed. Additionally, maintenance condition survey reporting had paused due to the pandemic and had only resumed in October 2022. Whilst management were confident that Statutory compliance testing was being carried out, there was a lack of comprehensive record keeping. These areas should be rectified with the recent introduction of the Concerto Asset Software. The system allows all assets to be recorded along with their maintenance and Statutory compliance records.</p> <p>It was unclear whether the Council were achieving value for money for works completed. However, with the introduction of a new supplier Framework, this should be achieved going forward.</p> <p>The Council would benefit from a Policy to detail the processes to be followed for the management of the Corporate Property with detailed supporting records.</p>			

Report Title	Conflicts of Interest
Executive Sponsor	Deputy Chief Executive

Objective	To evaluate the design and operating effectiveness of the arrangements that the Council has in place to manage conflicts of interest and gifts and hospitality, including compliance with the Code of Conduct requirements.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	3 x Medium	7 x Low
Summary	<p>The review highlighted that whilst there was generally a good system of control, there were some weaknesses in the designed system in relation to managing conflicts of interest, and gifts and hospitality and as such we have noted some areas for further enhancement.</p> <p>The key issues identified related to the design of the controls in place relating to the information recorded within the Officer's Register of Personal Interests and improvements to be made to declarations required in the procurement and tendering processes.</p> <p>The Council had an electronic and paper-based systems in place to enable Officers and Members to declare any conflicts of interests and gifts and hospitality, the maintenance of registers of interests and gifts and hospitality; declarations of interests are a standing agenda item at Council and decision making committees with outcomes recorded within their minutes, and the availability of guidance in the form of the Code of Conduct for Members and Officer Code of Conduct with regards to the declaration of interests and gifts and hospitality.</p>			

Report Title	Budgetary Control			
Executive Sponsor	Chief Financial Officer			
Objective	To review and provide an opinion on the system of Budgetary Control, and provide assurance that financial reports provided accurate and sufficient information to enable the Council to meet its business objectives.			
Assurance Level	High			
Recommendations	0 X Critical	0 x High	0 x Medium	2 x Low
Summary	<p>Overall, the review identified that controls were strong and operating effectively.</p> <p>As of January 2023, the Council are performing well against their original budget. It was confirmed that in March 2022 a forecast budgeting requirement of £11.4m was set with the Council currently forecasting an outturn of £11.4m</p>			

and forecast financing of £11.8m (resulting in a £0.4m surplus of resources which are proposed to be transferred into the capital investment reserve).

The Councils Constitution and Financial Procedure Rules set out the budgetary responsibilities for the Councils key officers further strengthened by the Chief Financial Officer delivering a budget and control monitoring paper to the Councils management team. Although the Council did set out the budgetary responsibility for its Senior Officer Team, controls could be strengthened by ensuring the importance of budget monitoring is communicated to its budget holders.

Our review highlighted that the 2022/2023 budget had been formally approved by Council and uploaded into Civica financial system prior to the new financial year after being prepared and presented by the Finance and Democracy Committee on recommendations from the Councils other Programme Committees. It was further confirmed that the 2023/2024 budget is currently on course to be agreed prior to April 2023.

In year monitoring of budgets took place, both strategically and at service level. At a service level, it was noted that budget holders are required to provide reasoning on any variances over £5k on a quarterly basis with these being published on the Councils website for public viewing. Budget holders also receive monthly revenue monitoring reports; however, controls could be strengthened to ensure that accuracy of these are confirmed. At a strategic level, it was confirmed that there is regular presentation of the Councils revenue monitoring report to Programme Committees for note purposes with the Finance and Democracy Committee also having oversight of the Budget via the MTFS (Medium Term Financial Strategy) updates which are presented on a frequent basis.

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

The status of the actions is as at March 2023.

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	6	1	2	-	Remaining actions relate to the creation of an Asset Management Group and Plan. These are not expected to be completed until 2024, due to changes in Committee and departmental structures and emerging priorities.
Environmental Permitting Regs (2019/20)	6	Limited	6	-	-	-	All actions have been completed.
Fuel Consumption (2019/20)	9	Limited	9	-	-	-	All actions have been completed.
Event Management (2019/20)	15	Limited	15	-	-	-	All actions have been completed.
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 regarding implementation of performance indicators, expected to be completed imminently.
VAT (2019/20)	3	Moderate	2	1	-	-	Remaining action in progress. Still outstanding due to staff absence.
Heritage Assets (2019/20)	5	Moderate	5	-	-	-	All actions have been completed.
Payroll (2020/21)	10	Moderate	10	-	-	-	All actions have been completed or are superseded.
TOTALS	70		64	4	2	-	

## MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Asset Disposals (2021/22)	7	Limited	6	1	-	-	-	1	-	-
Housing Benefits (2021/22)	3	Substantial	3	-	-	-	-	-	-	-
Project Management (2021/22)	1	Moderate	-	1	-	-	-	1	-	-
Risk Management (2021/22)	7	Moderate	7	-	-	-	-	-	-	-
Health & Safety (2021/22)	6	Moderate	5	1	-	-	-	-	-	1
Shared Service and Third Party Assurance (2021/22)	4	Substantial	3	1	-	-	-	-	-	1
Treasury Management (2021/22)	2	High	1	-	-	1	-	-	-	1
Key Financial Controls (2021/22)	8	Substantial	8	-	-	-	-	-	-	-
NNDR & Council Tax (2021/22)	5	Substantial	5	-	-	-	-	-	-	-
S106 (2021/22)	8	Moderate	4	-	-	4	-	1	2	1
Data Sharing Agreements (2022/23)	4	Limited	1	-	-	3	-	2	1	-
Cyber Security & Mobile Devices (2022/23)	Confidential									
Property Repairs and Maintenance (2021/22)	8	Limited	3	-	-	5	-	2	3	-
Conflicts of Interest (2022/23)	10	Substantial	-	-	-	10	-	-	3	7
Budgetary Control (2022/23)	2	High	-	-	-	2	-	-	-	2
<b>TOTALS</b>	<b>75</b>		<b>46</b>	<b>4</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>7</b>	<b>9</b>	<b>13</b>

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 the end of March 2023

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

**Project Management** – Recruitment of a Senior Project Manager underway to assist in the creation of Project Management Framework templates.

**Risk Management** – Actions have been superseded with the 2022/23 review which will follow-up the outstanding actions.

**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** – One low priority recommendation in progress.

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

**Key Financial Controls** – All recommendations completed or superseded.

**NNDR & Council Tax** – All recommendations completed.

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

**Data Sharing Agreements** - Outstanding recommendations not yet due.

**Cyber Security and Mobile Devices** – To be followed up for the July Audit and Standards Committee.

**Property Repairs and Maintenance** – Outstanding recommendations not yet due.

**Conflicts of Interest** - Outstanding 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.