

# **Internal Audit Progress Report Audit & Standards Committee (July 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 & Standards Committee in respect of the progress made in against the Internal Audit Plan for 2021/22 and brings to your attention matters relevant to your responsibilities as members of the Audit & 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 & Standards Committee.

This progress report covers the period 17 May– 12 July 2022.

## 2 Executive Summary

There has been the focus on the following areas:

### 2021/22 Audit Reviews

Audit work has been profiled in line with requests and is progressing satisfactorily.

The following reviews have been finalised:

- Treasury Management (Full Assurance level)
- Cyber Security (Verbal update to be provided)
- Mobile Devices (Verbal update to be provided)

We have also completed reasonable checks on the Contain Outbreak Management Fund submission and ensure that conditions of the fund were met.

Refer to Appendix C for details of Key Areas and Actions to be delivered

The reviews below are currently at draft report stage or are in progress:

- Data Sharing Protocols (fieldwork being concluded)
- Property Repairs and Maintenance (work in progress)
- Key Financial Controls (draft report)
- NNDR & Council Tax (draft report)

	<p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2021/22.</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. 66 out of 91 actions have been completed. Of the remaining 25 actions, 17 are in progress with a further eight actions either not started or postponed.</li> <li>• A separate table details the actions arising from MIAA reports including risk ratings. Of the outstanding 28 actions seven have been completed, four are in progress and 17 are either not yet due or haven't been started.</li> </ul>
Audit Plan Changes	<p>Audit 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 Contain Outbreak Management Fund submission and ensure that conditions of the fund were met.</li> </ul>
Insights	<p><b>Collaborative Masterclass Events</b></p> <ul style="list-style-type: none"> <li>• Restoration and Recovery: Improving the Health and Wellbeing Needs of Individuals, Teams and Communities (16<sup>th</sup> September 2022)</li> <li>• Digital as Disrupter (24th November 2022)</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 2021/22:

HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	Completed	Moderate
Risk Based Assurances		
Vehicles and Equipment Asset Disposals	Completed	Limited
Disabled Facilities Grant	Completed	Moderate
Housing Benefits	Completed	Substantial
Health & Safety	Completed	Moderate
Third Party Assurance	Completed	Substantial
Property Repairs and Maintenance	In progress	
Data Sharing Protocols	Fieldwork concluded	being
Cyber Security	Completed	Confidential
Project Management	Completed	Moderate
Treasury Management	Completed	Full
NNDR & Council Tax	Draft Report	
Key Financial Controls	Draft Report	
S106	In progress	
COVID Support	Resources used for follow-up work	N/A

Follow Up

HOIA Opinion Area	Status	Assurance Level
Qtr 1	Completed	N/A
Qtr 2	Completed	
Qtr 3	Completed	
Qtr 4	Completed	

#### 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 Contain Outbreak Management Fund reasonableness check.	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. As a result of the delayed External Audit completion,
Issue a Client Satisfaction Questionnaire following completion of every audit.	Ongoing	Green	Link to questionnaire included within 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	Quarterly	Amber	Most recommendations have been implemented or are in progress.
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



Element	Reporting Regularity	Status	Summary
			Sector Internal Audit Code of Ethics.

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

Report Title	Treasury Management			
Executive Sponsor	Chief Financial and Section 151 Officer			
Objective	To provide assurance that the Treasury Management Function was operating effectively to manage the cash flow requirements of the Council			
Assurance Level	High			
Recommendations	0 X Critical	0 x High	0 x Medium	1 x Low
Summary	<p>Overall, the review identified that controls were generally well designed and operating effectively.</p> <p>The Council has developed a Treasury Management Practices Control document which aligns with the CIPFA Treasury Management in Public Services code and includes the duties and responsibilities of council employees with Treasury Management responsibility and outlines the councils' approved brokers and limits.</p> <p>There was regular reporting noted to the Finance and Democracy Committee, twice yearly reporting to the Council and an annual report to the Audit and Standards Committee creating oversight by all accountable bodies of the Treasury Management principles and current positions.</p> <p>We were unable test borrowing as there was none undertaken by the council during 2021/22. From our sample testing of investments made, and reconciliations, we found they were accurately maintained and approved with appropriate segregation of duties. Cashflow monitoring reports were equally found to be timely and accurately completed.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

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

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.
GDPR (2019/20)	16	N/A	16	-	-	-	All actions complete.
Environmental Permitting Regs (2019/20)	6	Limited	3	2	1	-	Recent recruitment to the team and reallocation of duties. Expected completion by September 2022.
Fuel Consumption (2019/20)	9	Limited	8	1	-	-	The outstanding action will be completed once the meetings between Parks and FMS teams recommence.
Event Management (2019/20)	15	Limited	13	2	-	-	There are two actions outstanding and in progress.
Contract Procedure Rules (2020/21)	5	Moderate	4	1	-	-	One action regarding training expected to be completed by September 2022.
Sundry Debtors (2019/20)	8	Moderate	5	-	3	-	Remaining actions expected to be completed by September 2022.
VAT (2019/20)	3	Moderate	1	2	-	-	Actions in progress expected to be completed by December 2022.
Heritage Assets (2019/20)	5	Moderate	1	4	-	-	The actions are regarding the completion of risk assessments and a Care and Conservation Plan along with an Audience Development Plan.
Homeless Reduction (2019/20)	5	Moderate	4	1	-	-	There is one action in progress regarding Data Sharing which is in the process of being resolved.
Payroll (2020/21)	10	Moderate	6	2	-	2	Actions are either in progress or not yet due.
TOTALS	91		66	17	6	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 (2020/21)	7	Limited	4	1	2	-	-	2	1	-
Housing Benefits (2021/22)	3	Substantial	-	3	-	-	-	-	3	-
Project Management (2020/21)	1	Moderate	-	-	-	1	-	1	-	-
Risk Management (2020/21)	7	Moderate	1	-	-	6	-	1	3	2
Health & Safety (2020/21)	6	Moderate	2	-	2	2	-	-	2	2
Shared Service and Third Party Assurance (2020/21)	4	Substantial		--	--	4	-	-	1	3
TOTALS	28		7	4	4	13	-	4	10	7

### 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** – A Policy has been drafted and is awaiting approval. The GRACE system requires update along with the Corporate Verification document.

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

**Project Management** – Action not due.

**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 recommendations are for computer training to be made available at the depot and information in the annual report to be expanded.

**Shared Service and Third Party Assurance** – 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.