

Internal Audit Progress Report Audit & Standards Committee (May 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 10 March – 16 May 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. We are on track to deliver your Head of Internal Audit Opinion.

The following reviews have been finalised:

- Shared Service and Third Party Assurance (Substantial Assurance level)
- Project Management Framework (Moderate Assurance level)

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:

- Cyber Security (draft report)
- Data Sharing Protocols (draft report)
- Property Repairs and Maintenance (work in progress)
- Treasury Management (draft report)
- Key Financial Controls (work in progress)
- NNDR & Council Tax (work in progress)

	<ul style="list-style-type: none">• S106 (work in progress) <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 status of moderate and limited assurance rated reports was provided at the previous Audit and Standards Committee in March. We will continue to follow-up outstanding actions and will provide a further update at the July 2022 meeting.</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> <p>There are no changes to report to the Audit and Standards Committee.</p>
Insights	<p>Collaborative Masterclass Events</p> <ul style="list-style-type: none">• <u>Restoration and Recovery: Improving the Health and Wellbeing Needs of Individuals, Teams and Communities</u> (16th June 2022)• <u>How Can Strengths Based Working Lead to Healthier and Happier Communities</u> (7th July 2022)

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	Draft Report	
Cyber Security	Draft Report	
Project Management	Completed	Moderate
Treasury Management	Draft Report	
NNDR & Council Tax	In progress	
Key Financial Controls	In progress	
S106	In progress	
COVID Support	Resources used for follow-up work	
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		

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 and finalisation of key reviews to support the Head of Internal Audit Opinion. As a result of the delayed External Audit completion, reviews requiring input from the Finance team were deferred until Quarter 1.
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 – reports issued prior to April 2021	Quarterly	Amber	Most recommendations have been implemented or are in progress with further work required.
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.

Element	Reporting Regularity	Status	Summary
			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	Shared Service and Third Party Assurance			
Executive Sponsor	Deputy Chief Executive			
Objective	To assess the assurance that the Council receives from its Shared Service and Third-Party Services provider on the quality of service provided and that this assurance is received by a designated Management Group of the Council.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	1 x Medium	3 x Low
Summary	<p>The review found that there was a good system of internal control in place to manage Council Shared Service and Third Party Service providers and controls were generally being applied.</p> <p>Below are the key points arising from the review.</p> <ul style="list-style-type: none"> • Service Level Agreements (SLAs) existed between Fylde Council and Blackpool Council and also between Fylde Council and Preston City Council. The SLAs were in date. • There were regular meetings between Fylde Council and the third party Council suppliers. Minutes demonstrated they are well attended with a good rapport between parties, and an openness around issues both current and forthcoming. • Fylde Council benefits from the cross-working arrangements with both Blackpool Council and Preston City Council such as revision to policies and consideration of changes both on a national and local level. • Minutes of meetings we reviewed demonstrated that the impact on services provided by Blackpool Council, both in-year and forthcoming accounting periods had been discussed. • Risk management reporting on the Services received will be improved. 			
Key Risks Highlighted with No Agreed Action	N/A			

Report Title	Project Management Framework			
Executive Sponsor	Chief Executive			
Objective	To provide assurance over the design and operating effectiveness of Project Management at the Council			
Assurance Level	Moderate			
Recommendations	0 x Critical	1 x High	0 x Medium	0 x Low
Summary	<p>Overall, the review identified that the design of the project management framework controls would benefit from strengthening and the need to be applied consistently.</p> <p>The Council has acknowledged that improvements are required and has established a post to co-ordinate and communicate the delivery of major capital projects.</p> <p>The Council has available a three-stage project framework supported by a standard suite of forms and guidance, but the framework had not been followed in practice. We recognise that arrangements were also informed by funding agreements, which are not consistent in methodology or always as formal as would be ideal. We also acknowledge the impact that absence or leavers has had on the capacity for formality and structure within project management, along with Covid-19.</p> <p>We understand that a pragmatic rather than an idealistic approach is required to project management improvement due to the resource constraints in a relatively small organisation to a fuller, portfolio management approach. Our audit report therefore supports the Council's actions in progress to improve its project management.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Appendix D: 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"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
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"> has a low impact on the achievement of the key system, function, or process objectives. has exposed the system, function, or process to a key risk, however the likelihood of this risk occurring is low.
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.