Internal Audit Progress Report
Audit & Standards Committee (January 2023)

Fylde Borough Council

Contents

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 24 October 2022 – 9 January 2023.

2 Executive Summary

There has been the focus on the following areas:

2021/22 Audit Reviews	Since the previous Audit and Standards Committee, the following reviews have been finalised: • **Data Sharing Protocols** (Limited Assurance) 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: • Property Repairs and Maintenance (draft report)
2022/23 Audit Reviews	Since the previous Audit and Standards Committee, the following reviews have been finalised: • **Homelessness** (Moderate Assurance) • **Cyber Security and Mobile Devices Follow-up Review** (Verbal update to be provided) Refer to Appendix C for details of Key Areas and Actions to be delivered. The following 2022/23 reviews are at draft report stage or are in progress: • **Conflicts of Interest** (draft report) • **Apprenticeships** • **Prevent Duty** • **MasterGov Planning System Review** The following 2022/23 reviews have agreed Terms of Reference and are due to start imminently or are being scoped: • **Budgeting**

	- **Key Financial Controls** - **Freedom of Information and Subject Access Requests** - **Kirkham Regeneration Project Review** Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2022/23. Appendix B provides information on Internal Audit performance.
Follow Up	A summary of the status of moderate and limited assurance rated reports was provided at the previous Audit and Standards Committee in November. We will continue to follow-up outstanding actions and will provide a further update at the March 2023 meeting. For information, a summary of the status of follow-up activity from the November Audit and Standards Committee is included in Appendix C.
Audit Plan Changes	Audit and Standards Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process. - There are no current proposals to amend the approved audit plan.
MIAA Quality of Service Indicators	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. 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). 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.
Cyber Essentials	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. 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. 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.
Insights	**Collaborative Masterclass Events** • [Leading for Social Justice and Health Equality (2nd February 2023)](#)

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 outs the overview of delivery for your Head of Internal Audit Opinion for 2022/23:

HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	Qtr 4	
Risk Based Assurances		
Payroll – Blackpool Controls	Qtr 4	
Homelessness	Complete	Moderate
Freedom of Information and Subject Access Requests	Planning	
Cyber Security and Mobile Devices Follow-up	Complete	Confidential
Conflicts of Interest	Draft Report	
Budgetary Controls	Planning	
Prevent Duty	In progress	
Apprenticeships	In progress	
Key Financial Controls	Planning	
Planning System Review	In progress	
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	Qtr 4	

2021/22 Audit Reviews

Property Repairs and Maintenance*	Draft Report	
Data Sharing Protocols *	Completed	Limited
Section 106*	Completed	Moderate

Management

Head of Internal Audit Opinion/Annual Report/Annual Governance Statement		
Planning and Management	Ongoing	N/A
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 22/23, as requested by the Council and as such will be included in the 22/23 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	Data Sharing Protocols			
Executive Sponsor	Head of Governance			
Objective	To provide an opinion on the effectiveness of the data sharing agreements in place, and identify opportunities for improvement, where appropriate.			
Assurance Level	Limited			
Recommendations	0 X Critical	2 x High	2 x Medium	0 x Low
Summary	Overall, our review identified some areas of good practice however, the review also identified some areas for improvement.			
	The council had in place a Register of Processing Activities (ROPA) however, it did not have a similar register for the data sharing agreements that had been entered into with other organisations. Furthermore, although there were Data Assurance and Data Retention policies there was no specific Data Sharing Agreement Policy.			
	We undertook testing on a sample of processing activities, in only 1 case did we identify a data sharing agreement was in place. In the other activities, we were informed that an agreement was not applicable or had not been entered into.			
	Although we identified there was a Data Privacy Impact Assessment (DPIA) process at the council we were not provided evidence of any DPIA's undertaken for any data sharing arrangements that were in place.			
	Finally, although the council has an annual Information Governance Report, we were informed it did not contain any assurance in relation to the council's data sharing process. Furthermore, it was identified that no group or committee had oversight of the process.			

Report Title	Homelessness Review			
Executive Sponsor	Head of Environment and Housing			
Objective	To evaluate the design and operating effectiveness of the arrangements that the Council had in place to manage the key risks of homelessness.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	3 x Medium	3 x Low

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| Summary | Overall, the review identified that there was an adequate system of internal control with some areas requiring improvements, in particular full utilisation of the Council's homelessness system, Jigsaw.

Our review highlighted that the Council did have in place a 'Homelessness Rough Sleeping Strategy' and a 'Housing Advice Support Policy' which supports statutory requirements however a number of areas such as next review date, roles and responsibilities and key definitions should be considered.

Whilst the Council uses the Jigsaw System for the recording and monitoring of current and new homelessness cases, our testing highlighted this was not being used effectively, with a number of tasks either being incomplete or not completed in full.

Throughout the review, it was confirmed that Service Level Agreements (SLA), which set out responsibilities, monitoring and reporting arrangements, were in place for all partnerships. However, review of these documents noted that these had been signed after the contract commencement and did not show signatories from all parties. Our review further highlighted missing and discrepancies in details between the data sharing agreements provided for review.

The Council had robust governance arrangements in place for the monitoring of key homelessness targets, with these being presented to the Environment, Heath and Housing Committee and the Finance and Democracy Committee for review in June 2022. Additionally internal team targets were also discussed on a fortnightly basis.

The Housing Service Manager reviewed Housing Services expenditure and as well as at Council committee level, however at the time of the audit, there were no formal reconciliations of income and expenditure and forecasted Bed & Breakfast costs were much higher than those originally budgeted. |
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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 isone 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	

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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 31st December 2022.

Risk Management – Remaining actions not yet due, to be completed by the newly appointed Risk Manager by 31st 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: • 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: • 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.

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