

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT & STANDARDS COMMITTEE	16 JANUARY 2020	6
<b>INTERNAL AUDIT INTERIM REPORT AS AT 27 DECEMBER 2019</b>			

### PUBLIC ITEM

This item is for consideration in the public part of the meeting.

### SUMMARY

The report summarises the work undertaken in respect of the Internal Audit Plan 2019/20 for the period April 2019 to December 2019 and to give an appraisal of the Internal Audit Service's performance for the same period.

### RECOMMENDATIONS

That the Committee note the report.

### SUMMARY OF PREVIOUS DECISIONS

None

### CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services ( <b>Value for Money</b> )	✓
Delivering the services that customers expect of an excellent council ( <b>Clean and Green</b> )	✓
Working with all partners ( <b>Vibrant Economy</b> )	✓
To make sure Fylde continues to be one of the most desirable places to live ( <b>A Great Place to Live</b> )	✓
Promoting Fylde as a great destination to visit ( <b>A Great Place to Visit</b> )	✓

### BACKGROUND

1. This is the second progress report for 2019/20 Internal Audit Plan and covers the period between 1<sup>st</sup> April 2019 and 27<sup>th</sup> December 2019.

## INTERNAL AUDIT PLAN 2019/20

2. **Appendix A** provides a “snapshot” of the overall progress made in relation to the 2019/20 Internal Audit Plan, indicating which audits have been completed and their assurance rating, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.
3. The table below highlights the work undertaken during the period together with any control issues identified, where applicable;

Audit Area	Assurance Rating	Key Control Issues / Comments
Heritage Assets	Moderate	<p>The Collections Development Officer is relatively new to the Council and it is evident that in the short time with the Council she has been developing the collection, curating exhibitions, introducing standard procedures, developing and consulting on a forward plan and policies that are required as part of the Accreditation process.</p> <p>However, risk assessments to ensure the security and preservation of collection items have not been recently reviewed and although a record of all items and their location is in place, this is not updated in a timely manner and checked on a regular basis. Furthermore, emergency and business continuity plans need to be reviewed to ensure that the collection is effectively safeguarded.</p>
Homelessness / Homeless Reduction Act	Moderate	<p>The controls in place are generally operating effectively. Members of the Housing and Homelessness Team are both knowledgeable and experienced in dealing with all aspects of the Homelessness Service and regularly meet to discuss their case work, share experience and ensure that procedures and legislation are being adhered to across the team. The Jigsaw case management system provides a framework for robust record keeping and highlights the current stage of processing for each case, and outlines the next steps required to ensure compliance with the HRA 2017.</p> <p>Our work identified that it is requirement for local authorities to ensure that they update their homeless strategy every five years and this is currently overdue for committee approval. Additionally, the exchange of sensitive data is essential between the Council and partnering organisations to meet the needs of the service. Data protection and data sharing protocols need strengthening to explicitly outline each party's respective role and responsibilities within the partnership agreements as outlined in the General Data Protection Regulations.</p>
Event Management (Internally Managed events)	Limited	<p>The Council's Tourism and Cultural Services Manager has been the sole Event Manager for the Council's largest events for a number of years. The Council has now recognised that the</p>

		<p>current arrangements need strengthening and he has now been joined by an experienced and qualified Events Officer who will formally take over the responsibility for Councils events with effect from January 2020.</p> <p>The Councils flagship events are the Lytham 1940's Wartime Weekend and St Annes International Kite Festival. It was recognised during the review that these events are actively supported by elected members and very well received and attended by visitors and local residents.</p> <p>Our work has established that the Council would struggle to demonstrate that it has adequate arrangements in place to ensure the robust management and safe delivery of its events programme. Weaknesses exist with a lack of established corporate protocol for ensuring that internal and external events are adequately categorised, risk assessed and approved. This has led to a level of ambiguity within the organisation with different service areas following different procedures for their own events. Additionally, testing highlighted a lack of engagement by internal stakeholders via the 'event notification' process and via the Event Safety Advisory Group meetings that may lead to serious risks not being identified.</p> <p>Health and safety inspections undertaken for Council's major events are not documented; and checks are not operational to ensure that all third-party documentation has been received and reviewed prior to an event. It is anticipated that the increased resource within the Event's team will provide an opportunity to realign internal procedures and strengthen controls.</p> <p>In total, 15 actions were agreed with management to improve the current arrangements.</p>
Sundry Debtors	Moderate	<p>Our work has established that the controls in place for the raising and issuing of invoices are largely operating effectively. The Finance Assistant is both knowledgeable and experienced in generating and issuing one off and periodic invoices.</p> <p>However, the recovery process is not being adhered to in all instances, aged debtor reports were not routinely issued to the originating departments and resources were not always directed to recovering debts with the greatest chance of being collected. Furthermore, system access levels need strengthening to ensure recovery action is not delayed, written procedures require reviewing and updating SMART performance were not in place to drive improvement in collection rates and service delivery.</p>
Fairhaven Lake	Not applicable	We are a member of the project team to provide advice and guidance on governance, control and risk.
Coastal Defence Project	Not applicable	We are a member of the project team to provide advice and guidance on governance, control and risk.

## INTERNAL CONTROL SYSTEM

4. For the 2019/20 Internal Audit Plan, in total to date 8 reviews have been finalised and the following assurance ratings have been awarded:

Assurance Rating	Definition	Number of reviews
Full	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives.	0
Substantial	While there is basically a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.	2
Moderate	While there is basically a sound system of control, there are some more significant/serious weaknesses, which may put some of the system objectives at risk.	3
Limited	There are significant weaknesses in key areas in the systems of control, which put the system objectives at risk and leaves the system open to significant error or abuse	3

5. For all the reviews completed to date, management have accepted all the findings and the agreed actions in these reports will be followed up and reported on at future meetings of this committee.
6. Whilst the number of reports issued with a limited assurance rating has increased, the reasons for this are twofold:
- Of the 17 audits undertaken since September 2018, 10 (60%) have not previously been subject to internal audit review;
  - Revised audit methodology has been used which involves both the auditor and the manager identifying the key risks and controls facing the service. These are then recorded on GRACE and allows for continuous self-assessment by the manager following the audit process.

## LIMITED ASSURANCE RATING REPORTS UPDATE

7. It was agreed with members that an update would be provided on any reports issued with a limited assurance rating. From the 2018/19 & 2019/20 Internal Audit Plans, there have been 5 reports issued with a limited assurance rating. An update on the progress made with the implementation of agreed actions is detailed below.

Audit Area	Total number of actions agreed	Total number of agreed actions due for implementation before 30 <sup>th</sup> November 2019	Number of agreed actions implemented in full	Number of actions in progress with revised dates agreed
Maintenance and inspection regime – Trees (18/19)	14	8	6	2
ICT Review (18/19)	5	4	4	0

Commercial Property (19/20)	8	0	0	0
Environmental Permitting Regulations (19/20)	8	2	2	0
Event Management	15	0	0	0

## INTERNAL AUDIT PERFORMANCE

8. **Appendix B** provides information on Internal Audit performance as at the 27th December 2019. We are pleased to report that our performance indicators have been exceeded with the exception of:
- Percentage of Audit Plan completed. This is due to one review still being in progress and not yet completed.
  - Percentage of agreed actions implemented by management. Thirty four actions were due to be implemented by the end of November 2019, of which twenty five have been implemented in full. The remaining nine are in progress and revised implementation dates have been agreed.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	There are no Health and Safety implications arising from this report. The Audit Plan has been developed using a risk based approach.

LEAD AUTHOR	CONTACT DETAILS	DATE
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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Annual Plan	April 2019	Internal Audit Office, Town Hall

Attached documents

**Appendix 1** – Internal Audit Plan as at 27<sup>th</sup> December 2019

**Appendix 2** - Internal Audit Performance Indicators as at 27<sup>th</sup> December 2019