

Internal Audit Progress Report

Audit and Governance Committee (1st February 2024)

Fylde Borough Council

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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Executive Summary

This report provides an update to the Audit and Governance Committee in respect of the progress made in against the Internal Audit Plans and brings to your attention matters relevant to your responsibilities as members of the Audit and Governance 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 Governance Committee.

This progress report covers the period 21 November 2023 – 18 January 2024.

3 Executive Summary

Since the last meeting of the Audit and Governance Committee, there has been the focus on the following areas:

Audit Reviews

The following reviews have been finalised:

- Financial Controls - Cash (Limited Assurance Level)
- Beach Safety (Moderate Assurance Level)
- Payroll – Blackpool Controls (Substantial 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:

- Kirkham Regeneration (draft report)
- Housing Inspections (draft report)
- Externally Managed Events (fieldwork)
- Stock – Fleet Consumables (fieldwork)
- Food Safety (fieldwork scheduled)
- Business Continuity (fieldwork scheduled)
- Risk Management (fieldwork scheduled)

Follow Ups

A summary of the current status of all follow-up activity is included at Appendix D, as at January 2024 and we would draw the committee's attention to the following:

Good progress has been made in the completion of outstanding audit actions, with 50 actions completed and the remaining actions either in progress or are not yet due. There are four reports where all actions have been completed, these are Conflicts of Interest, Apprenticeships Cyber Security and Mobile Devices and the Mastergov Planning reviews.

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.

Added Value

Briefings






Our latest briefing is:




- [23/24 MIAA Checklist Series - Risk Management \(Local Authorities\)](#)







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 2023/24:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core Assurances				
Risk Management		Scheduled to commence March		
Risk Based Assurances				
Beach Safety		Complete	Moderate	February 2024
Stock Consumables and Expenditure		Fieldwork		
Homelessness Budget Efficiency		Complete	Moderate	November 2023
Financial Controls (Deep Dive)		Complete	Moderate	February 2024
Housing Inspections		Draft Report		

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
IT Service Continuity and Resilience		Fieldwork		
Food Safety		Scheduled to commence March		
Business Continuity		Scheduled to commence February		
Performance Management		Planning		
Asset Management		Scheduled to commence Qtr 4		
Climate Change		Scheduled to commence Qtr 4		
Qtr 1	N/A	Complete	N/A	July 2023
Qtr 2	N/A	Complete	N/A	September 2023
Qtr 3	N/A	Complete	N/A	February 2024
Qtr 4	N/A	Scheduled to commence Qtr 4		
Added Value / Support & Guidance				
Changing Places Grant Award Assurance	N/A	Complete		

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
2022/23 Audit Plan				
MasterGov Planning System		Complete	Limited	September 2023
Recruitment*		Complete	Substantial	September 2023
Payroll Controls – Blackpool*		Complete	Substantial	February 2024
Kirkham Regeneration*		Draft Report		
Freedom of Information and Subject Access Requests*		Complete	Limited	November 2023
Externally Managed Events*		Fieldwork		

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 2023/24 as requested by the Council, and as such will be included in the 2023/24 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 and Standards Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Percentage of recommendations raised which are agreed	Each Audit and Standards Committee	Green	All recommendations have been agreed.
Percentage of recommendations which are implemented	Quarterly	Green	All recommendations due are either in progress or have been completed.
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	Financial Controls – Cash Income			
Executive Sponsor	Chief Finance Officer			
Objective	To provide assurance that the most significant key controls in relation to cash and banking processes were appropriately designed and operating effectively in practice.			
Assurance Level	Limited			
Recommendations	0 x Critical	2 x High	3 x Medium	0 x Low
Summary	<p>The review found that whilst Policies and Procedures were in place, they were not always followed as required. There was a lack of robustness of the Bank Account Reconciliation processes. It was also identified that there was a lack of formalised contractual arrangements with the provider of car park cash collection services. Additionally, the following issues were identified:</p> <ul style="list-style-type: none"> • The Council has not developed thresholds for internally investigating and reporting on banking variations between receipted and banked amounts. • Attendance at a cash count noted a float shortfall, which was later reduced as further monies were located. • The Council sometimes used manual receipts for cash income, which are not pre-numbered for audit trail purposes. 			

Report Title	Beach Safety			
Executive Sponsor	Head of Place and Culture			
Objective	To evaluate processes and controls that are established and operated to identify and manage risks in relation to compliance with Beach Safety requirements.			
Assurance Level	Moderate			
Recommendations	0 x Critical	1 x High	5 x Medium	2 x Low
Summary	<p>The Head of Place and Culture has been tasked with producing a Coastal Management Plan and the timing of this audit was agreed to be undertaken alongside this work. Our audit opinion of moderate assurance reflects the current controls in place, although we acknowledge that the Council’s decision to develop a Coastal Management Plan seeks to identify and address gaps in controls. It is expected that the Plan will be completed by February 2024 and will be subject to review by the Internal Affairs Scrutiny Committee. The Parks and Coastal Services Manager along with the newly appointed Senior Coast and Conservation Officer will be taking this forward, however we recognise that coastal safety is a corporate responsibility to which multiple departments have input and the development of this Plan.</p> <p>Following on from a Coroners inquest into a drowning the Council have worked with RNLI on a beach safety review to identify if there any areas in which improvements can be made. A beach safety risk assessment and review of signage and public rescue equipment was undertaken in May 2023 at Amenity Beach. The Council have received reports from RNLI which make recommendations in relation to management strategies and suggest potential additional control measures to manage hazards. These are to be reviewed as part of the work to develop the Coastal Management Plan.</p> <p>Our review identified a high risk finding relating to the risk assessments not fully completed by the Parks and Coastal Service. We have also noted and made recommendations where improvements could be made in partnership working, capturing data on incidents and evidencing of some training.</p>			

Report Title	Payroll – Blackpool Controls			
Executive Sponsor	Head of Corporate Services			
Objective	To evaluate the robustness and the effectiveness of the systems of control operating at Blackpool Council to support the payroll system and to ensure validity, accuracy, and timeliness of payments to Fylde Council employees.			
Assurance Level	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	2 x Low
Summary	<p>Overall, the review identified that controls were generally designed and operating effectively with some improvements identified.</p> <p>There is a Service Level Agreement (SLA) in place for the Payroll and HR Services provided by Blackpool Council with SLA meetings between the Councils held every 6 months. Improvements noted were that the SLA does not include agreed costings for the services provided and representation at the SLA meetings by a member of the Payroll team would be beneficial.</p> <p>Procedures and guidance notes are in place and have been updated to guide the users through the payroll system.</p> <p>Contractual changes and leavers are workflowed through the system, allowing for segregation of duties, commencing with Manager input, then Finance for budget approval, HR approval and finally to Payroll. New starters are set up by HR as part of the recruitment process, these are manually input from the recruitment system into the payroll system, a sample reviewed showed that this process is accurately undertaken. The payroll system is being upgraded to include an automated recruitment system.</p> <p>Bank details are changed by the staff member concerned using employee self-serve, alternatively they can be processed by HR if access to the system is not available for an individual, this is completed on an exceptional basis only.</p>			

Approved timesheets are received directly into Payroll for input and to process the payments. A sample of timesheets was reviewed, and it was found that the approval on the forms was sometimes via an illegible signature, additionally the payroll department do not hold a sample signature list from Fylde. The review also found a couple of minor input errors. These are being investigated by the Payroll Manager.

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at January 2024.

Previous Fylde Borough Council Audit Team Recommendations from Limited or Moderate Rated Reports. No risk ratings were assigned to recommendations.

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				COMMENTS
			✓/S	P	X	Not due	
2019/20							
Commercial Property	9	Limited	6	-	-	3	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. Agreed at Audit and Standards Committee to extend the deadlines for completion.
VAT	3	Moderate	2	1	-	-	A system interface was required and has been implemented. Further checks are required to test it in the live environment.
TOTALS	12		8	1	-	3	

MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
2021/22											
Project Management	1	Moderate	-	1	-	-	-	1	-	-	There is a lack of resource, and projects workload has increased.
Treasury Management	2	High	1	-	1	-	-	-	-	1	Remaining action is for Committee training to be put in place.
S106	8	Moderate	5	2	-	1	-	1	2	-	A new software system is being introduced in February 2024, which will enable the outstanding actions to be completed.
Property Repairs and Maintenance	8	Limited	5	-	-	3	-	2	1	-	Remaining actions not yet due.
2022/23											
Homelessness	7	Moderate	5	-	-	2	-	-	2	-	Remaining actions not yet due.
Data Sharing Agreements	4	Limited	1	-	-	3	-	2	1	-	Proposed extension to the actions deadline to December 2024, as a result the update to UK Data Protection Laws and record keeping, which is currently going through Parliament.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Cyber Security & Mobile Devices			Confidential								All actions completed.
Conflicts of Interest	10	Substantial	10	-	-	-	-	-	-	-	All actions completed.
Budgetary Control	2	High	-	-	2	-	-	-	-	2	Actions to be completed with the 2024/25 budgets.
Apprenticeship	9	Moderate	9	-	-	-	-	-	-	-	All actions completed.
Risk Management	4	Moderate	2	2	-	-	-	-	2	-	Remaining actions to be completed with the presentation of the Strategic Risk Register at the Audit and Governance meeting in February 2024.
Key Financial Controls	2	Substantial	1	1	-	-	-	-	1	-	Remaining action expected to be completed by 31 st March 2024
Recruitment	2	Substantial	1	1	-	-	-	-	1	-	Remaining action in progress.
Mastergov Planning	3	Limited	3	-	-	-	-	-	-	-	All actions completed.
Beach Safety	8	Moderate	-	-	-	8	-	1	5	2	Actions not yet due.
Cash Income	5	Limited	4	1	-	-	-	1	-	-	Remaining action in progress.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Payroll – Blackpool controls	6	Substantial	3	-	-	3	-	-	2	1	Remaining actions not yet due.
TOTALS	81		50	8	3	20	-	8	17	6	

Key to recommendations:

✓/S Implemented or Superseded

P Partially implemented/recommendation in progress

X Recommendation not implemented/awaiting update

C Critical priority recommendation

H High priority recommendation

M Medium priority recommendation

L Low priority recommendation

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"> 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 is likely to 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.

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.

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