

Internal Audit Progress Report

Audit and Governance Committee (11th April 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 19 January 2024 – 26 March 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:

- Kirkham Regeneration (Limited Assurance Level)
- Housing Inspections (Moderate Assurance)
- Risk Management (Substantial Assurance)
- Food Waste Management Grant 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:

- Food Safety (draft report)
- Business Continuity (draft report)
- IT Service Continuity and Resilience (draft report)
- Externally Managed Events (fieldwork)
- Stock – Fleet Consumables (fieldwork)
- Performance Management (fieldwork)

Follow Ups

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

Progress has been made in the completion of outstanding audit actions, with 41 actions completed and the remaining actions either in progress or are not yet due. There are three reports where all actions have been completed or superseded, these are Projects, Risk Management and Cash Income reviews.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.

- To defer the Asset Management Review until Q1/2 2024, at the request of officers, due to a new Asset Management Plan and Working Group being put in place presently.
- To perform a Communications and Engagement – Customer Access Review using the time assigned to Climate Change, as the Climate Change working group are in the process of formulating a Strategy and Plan. To defer the review until Q1 at the request of officers.

Added Value







Events





- [Outlook for the Public Sector 2024 \(18th Apr 2024\)](#): Hear from our panel of experts on their analysis of the current economic challenges, share analysis of system pressures over the past 12 months and explore opportunities and possibilities ahead.
- [The Roots of the Nation's Poor Health & Widening Health Inequalities \(23rd May 2024\)](#): This session will address the wider social and economic factors that contribute to poor public health. It will demonstrate how current public health challenges such as health inequity, obesity, physical inactivity and poor mental health are the result of structural factors and will offer illustrative examples of how politics and economics can influence population health – for better and worse.






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		Complete	Substantial	April 2024
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		Complete	Moderate	April 2024

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
IT Service Continuity and Resilience		Draft Report		
Food Safety		Draft Report		
Business Continuity		Draft Report		
Performance Management		Fieldwork		
Asset Management		Scheduled to commence Qtr 1/2 2024/25		
Communications and Engagement – Customer Access (was Climate Change)		Scheduled to commence Qtr 1 2024/25		
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	Complete	N/A	April 2024
Added Value / Support & Guidance				

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Changing Places Grant Award Assurance	N/A	Complete	N/A	November 2023
Food Waste Management Grant Assurance	N/A	Complete	N/A	April 2024
2022/23 Audit Plan				
Recruitment*		Complete	Substantial	September 2023
Payroll Controls – Blackpool*		Complete	Substantial	February 2024
Kirkham Regeneration*		Complete	Limited	April 2024
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	Kirkham Regeneration			
Executive Sponsor	Head of Regeneration Projects			
Objective	To evaluate the governance processes in place for the monitoring and delivery of agreed plans.			
Assurance Level	Limited			
Recommendations	0 x Critical	2 x High	6 x Medium	2 x Low
Summary	<p>The Kirkham Futures Regeneration Programme has been an ambitious, significant and challenging undertaking for the Council to deliver. The original project sponsor and lead left the programme with little or no handover to the then newly appointed Head of Regeneration and Programme Lead. This resulted in the creation of a new, small team to deliver the Programme, establish controls and processes and manage the Programme. There is a risk of overdependency on a key individual and a lack of overall resilience in the delivery of the Programme.</p> <p>MIAA has completed a separate Projects Management Review, which highlighted the need for a Project Management Framework, to be used across Council Programmes and Projects to provide a formal, standardised approach. This has not yet been completed due to resourcing pressures, although it is something which the Programme would benefit from. A structured framework would help to add robustness and rigour to the Programme and assist in the delivery of benefits within budget.</p> <p>Detailed reporting was required for the two key funding streams of Future High Streets and Historic England. These reports have been largely used as a way of monitoring the progress of the Programme, as they require risk registers, Gantt charts and expenditure details. However, they are specific to each stream of funding rather than the Programme as a whole.</p>			

	<p>Consequently, there was a lack of centralised detailed project plans, budget profiling with monitoring, recording of outcomes and lessons learned during the course of the Programme, along with the absence of any action plans arising from identified issues.</p> <p>Controls were in place to record all expenditure incurred against the funding allocations on an individual project basis, which is reconciled to the ledgers and included in the two funding body returns.</p>
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Report Title	Housing Inspections			
Executive Sponsor	Head of Environment and Housing			
Objective	To evaluate the design and operating effectiveness of the systems and controls the Council has in ensuring rental properties meet statutory requirements and do not endanger residents.			
Assurance Level	Moderate			
Recommendations	0 x Critical	1 x High	1 x Medium	2 x Low
Summary	<p>Whilst there was an enforcement policy and housing complaints procedure in place, along with flow charts showing the enforcement, complaints and inspections processes, the roles and responsibilities of the housing team and governance and reporting arrangements were not clearly documented.</p> <p>The council responded to the request made by the DLUCH with privately rented properties data around the assessment of damp and mould issues and along with any action to be taken, in a timely manner.</p> <p>From a sample of Houses of Multiple Occupation (HMO's) and tenant housing complaints, it was found that evidence to support inspections, licenses and enforcement letters were not consistently retained.</p> <p>Although the Council website offers a user-friendly online form for lodging housing enforcement complaints, the website does not provide examples of the types of complaints that residents can submit or refer to government guidance around tenants' rights or provide guidance on how to mitigate certain</p>			

	housing conditions and resolve them proactively before resorting to council assistance (e.g. mould and damp).
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Report Title	Risk Management			
Executive Sponsor	Head of Corporate Services			
Objective	To provide assurance on the design and operating effectiveness of the Council's risk management processes.			
Assurance Level	Substantial			
Recommendations	0 x Critical	0 x High	1 x Medium	3 x Low
Summary	<p>Overall, the Council had a good system of internal controls and controls were generally being applied consistently.</p> <p>The main areas of good practice related to there being a Risk Management Strategy in place which had been recently updated and contained the roles and responsibilities of all key staff groups and committees. There were multiple documents to assist staff with using the GRACE system and completing the risk register requirements. The risk appetite had been reviewed in the year and the Council had completed a risk appetite session which considered new and emerging risks for the Strategic Risk Register. The strategic risks had recently been reviewed and updated on the GRACE system; this was documented in the Strategic Risk Management Group minutes. Review of the Strategic Risk Register identified that all risks had a risk owner, inherent, residual and target risk score and risk categories assigned to them.</p> <p>Areas for enhancement related to a few instances were risk actions had no updates, residual and inherent risk scores being the same and some risks having no actions assigned to them. Lower rated areas related to the Council not having a training procedure in place that outlined how often staff should receive training, the Risk Management Strategy did not include the review period for risk appetite or any</p>			

training requirements and the Audit and Governance Committee not receiving the Strategic Risk Register for review in the expected time period.

The Corporate Emergency Planning & Risk Management Officer is due to leave the authority at the end of March, with a replacement already appointed and due to start in April. This will ensure that any gap in continuity will be minimal with the current postholder also agreeing to provide a handover in April for his replacement.

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at March 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	1	-	2	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. Asset Management to be reviewed in Q1/2 2024/25.
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	2	-	2	

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	-	-	-	-	-	-	-	Action superseded by the Kirkham Review.
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, which will enable the outstanding actions to be completed.
Property Repairs and Maintenance	8	Limited	5	1	-	2	-	2	1	-	Remaining actions in progress or 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	-	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.
Budgetary Control	2	High	-	-	2	-	-	-	-	2	Actions to be completed with the 2024/25 budgets.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Risk Management	4	Moderate	4	-	-	-	-	-	-	-	All actions complete.
Key Financial Controls	2	Substantial	1	1	-	-	-	-	1	-	Remaining action in progress.
Recruitment	2	Substantial	1	1	-	-	-	-	1	-	Remaining action in progress.
Payroll – Blackpool controls	6	Substantial	4	-	-	2	-	-	2	-	Remaining actions not yet due.
Kirkham Regeneration	10	Limited	3	-	-	7	-	-	6	1	Remaining actions not yet due.
2023/24											
Beach Safety	8	Moderate	2	4	-	2	-	-	4	2	Remaining actions in progress or not yet due.
Cash Income	5	Limited	5	-	-	-	-	-	-	-	All actions complete.
Temporary Accommodation	7	Moderate	3	-	-	4	-	-	2	2	Remaining actions not yet due.
Housing Inspections	4	Moderate	-	-	-	4	-	1	1	2	Actions not yet due.
Risk Management	4	Substantial	-	-	-	4	-	-	1	3	Actions not yet due.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
TOTALS	84		41	9	3	31	-	6	24	13	

Key to recommendations:

✓/S	Implemented or Superseded	C	Critical priority recommendation	L	Low priority recommendation
P	Partially implemented/recommendation in progress	H	High priority recommendation		
X	Recommendation not implemented/awaiting update	M	Medium 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.

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