

Internal Audit Progress Report Audit & Governance Committee (July 2023)

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 and Governance Committee in respect of the progress made in against the Internal Audit Plans for 2022/23 and also 2023/24 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 6 March 2023 – 7 July 2023.

2 Executive Summary

There has been the focus on the following areas:

2022/23 Audit Reviews	<p>Since the previous Audit and Governance Committee, the following reviews have been finalised:</p> <ul style="list-style-type: none">• Apprenticeships (Moderate Assurance)• Key Financial Controls (Substantial Assurance)• Risk Management (Moderate Assurance) <p>Refer to Appendix C for details of Key Areas and Actions to be delivered.</p> <p>The following 2022/23 reviews are at draft report stage and awaiting management actions and/or approval:</p> <ul style="list-style-type: none">• MasterGov Planning System Review (Draft Report)• Recruitment (Draft Report) <p>The following reviews are in progress:</p> <ul style="list-style-type: none">• Kirkham Regeneration Project Review (In progress)• Externally Managed Events (In progress)• Payroll – Blackpool Controls (In progress)• Freedom of Information and Subject Access Requests (In progress)
2023/24 Audit Reviews	<p>The following 2023/24 audit reviews are being scoped:</p> <ul style="list-style-type: none">• Beach Safety• Stock Consumables• Housing Inspections• Homelessness Budget Efficiency

	<p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2023/24.</p> <p>Appendix B provides information on Internal Audit performance.</p>
<p>Follow Up</p>	<p>Progress has been made on the outstanding actions raised by the previous in house audit team, with four remaining which are either not due or are in progress.</p> <p>From the recommendations raised by MIAA all have either been completed or are in progress, except for one report where we are awaiting an update.</p> <p>For information, a summary of the status of follow-up activity is included in Appendix D.</p>
<p>Audit Plan Changes</p>	<p>Audit and Governance Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p> <ul style="list-style-type: none"> • There are no current proposals to amend the approved audit plan.
<p>MIAA Quality of Service Indicators</p>	<p>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.</p> <p>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).</p> <p>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.</p>
<p>Cyber Essentials</p>	<p>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.</p> <p>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.</p> <p>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.</p>

Insights

Events

- [All Together Fairer in 2023: A Marmot approach to reducing Health Inequalities \(13th July 2023\)](#)
- [Strengthening our sector – How we can harness our community assets through effective community leadership \(15th September 2023\)](#)

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 out the overview of delivery for your Head of Internal Audit Opinion for 2023/24:

HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	Qtr 4	
Risk Based Assurances		
Beach Safety	Planning	
Stock Consumables	Planning	
Homelessness Budget Efficiency	Planning	
Financial Controls (Deep Dive)	Qtr 2	
Housing Inspections	Planning	
Cyber Security	Qtr 3	
Food Safety	Qtr 3	
Business Continuity	Qtr 3	
Heritage Assets	Qtr 3	
Performance Management	Qtr 3	
Asset Management	Qtr 4	
Follow-Up		
Quarter 1	Complete	N/A
Quarter 2	Complete	
Quarter 3	Complete	
Quarter 4	Complete	
2022/23 Audit Reviews		

HOIA Opinion Area	Status	Assurance Level
Risk Management	Complete	Moderate
Apprenticeships	Complete	Moderate
Key Financial Controls	Complete	Substantial
Payroll – Blackpool Controls*	In progress	
Planning System Review	Draft Report	
Externally Managed Events*	In progress	
Recruitment*	Draft Report	
Kirkham Regeneration*	In progress	
Freedom of Information and Subject Access Requests*	In progress	

Management

Head of Internal Audit Opinion/Annual Report/Annual Governance Statement		
Planning and Management		
Reporting and Meetings	Ongoing	N/A
Contingency		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 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 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. 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, except for one report where we are awaiting an update.
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	Apprenticeships			
Executive Sponsor	Head of Corporate Services			
Objective	To identify and evaluate the controls in place to manage key risks which would affect the effective operation of the organisation's system for Apprenticeships.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	4 x Medium	4 x Low
Summary	<p>Overall, we found that Apprentices are recruited and provided with opportunities in pockets at the Council, there is no formal framework to ensure the Council get the best use of the apprenticeship levy fund at their disposal across all services.</p> <p>There were draft Strategies for Apprenticeships and Succession Planning, which need to be approved, adopted and monitored. These also need to be supported with effective policies and procedures.</p> <p>There was a dependency on one member of staff responsible for recruitment, liaison with education providers, administration and monitoring of the Levy and general administration. Consequently, a priority area for action is to ensure business continuity arrangements are made in the event of absence.</p> <p>An anonymous survey of Apprentices at the Council was conducted and showed that overall, they were very positive about their Apprenticeships. Some felt that they would benefit from a Peer support group to discuss their experiences, this along with a point of contact could also be used as a feedback mechanism and support with future career aspirations.</p> <p>The Council are looking to mirror an arrangement at Wyre Council were the Apprentice works across the services, to allow them to gain experience in areas which may otherwise not be able to recruit or are not well known. However, the relationship with Blackpool Council, who provide HR Services and have a dedicated Apprenticeship resource, could also be further leveraged to share best practice, and obtain support, for example with Education Providers.</p> <p>The Apprenticeship Levy fund available and those funds paid to Education Providers could be better monitored and reconciled.</p>			

Report Title	Key Financial Controls			
Executive Sponsor	Chief Financial Officer			
Objective	To provide assurance that the most significant key controls within the systems of general ledger, accounts payable and accounts receivable are appropriately designed and operating effectively.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	2 x Medium	0 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively.</p> <p>Our review noted that the general ledger was effectively maintained. There were reconciliations between then sales and purchase ledgers to the general ledger and journals had been approved with segregation of duties in place We also confirmed that the Council has processes in place to regularly back up the Civica financial ledger system.</p> <p>In respect of creditors and supplier payments there was enforced segregation of duties within the purchasing system in the creation and approval of requisitions and we also evidenced segregation and management oversight with regard to payment runs. The authorised signatory list was maintained by the council with the use of standard proforma forms to add or alter limits within the signatory list.</p> <p>Our review of debtors found that there was a formal process for authorised signatories to request the raising of invoices and credit notes and once raised, these required authorisation in the system. Our sample testing found all invoices and credit notes had been raised accurately to the request. Changes to supplier bank details input to Civica require authorisation within the system, and supporting documentation is maintained by the Council.</p> <p>Debt recovery actions were recorded in the debtor accounts on Civica and we evidenced liaison with other Council departments for information and assistance, where debts had been chased. Write offs for the year had been reported to the Finance and Democracy Committee in March 2023. The Council should however review and update the Fair Collection and Debt Recovery Policy dated September 2017 to ensure that is accurately reflects current process.</p>			

Report Title	Risk Management
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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	Moderate			
Recommendations	0 X Critical	1 x High	3 x Medium	0 x Low
Summary	<p>The review identified that there was an adequate system of internal control with some areas requiring improvements, in particular, by ensuring all operational risks maintained in the GRACE system are populated in full and include risk owners, risk review dates, actions and risk scores throughout.</p> <p>Since our previous review, the Council have recruited a Corporate Emergency Planning & Risk Officer to oversee the whole risk management process which has seen a number of improvements made.</p> <p>The Council had recently updated its Risk Management Strategy which sets out roles and responsibilities, the councils risk appetite and on how risks should be identified, recorded, managed, monitored and reported via the Councils GRACE system. The Council has also developed a number of user guides for staff to help them navigate the system. The Council maintained a Strategic Risk Management Group that had oversight of the strategic risks. The strategic risks were maintained on the GRACE system and were found to have been recently updated.</p> <p>The Council had good governance arrangements in place via the Strategic Risk Management Group and the Audit and Standards Committee, however, controls could be improved by ensuring the new Audit and Governance Committee receive updates twice yearly as per the Terms of Reference and revisions made to the Risk Management Strategy.</p> <p>Although Risk Management training was provided to staff members by the Corporate Emergency Planning & Risk Officer, the Council did not have a monitoring process in place to ensure training provided was captured formally. The Council could also strengthen controls by ensuring annual refresher training is completed and risk management training is built into the new staters and councillors induction process.</p> <p>As the Council's risk management approach matures this represents an opportunity to develop an assurance framework, and CIPFA has announced that they are working on relevant guidance.</p>			

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at July 2023.

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	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.
Contract Procedure Rules (2020/21)	5	Moderate	5	-	-	-	All actions complete.
Sundry Debtors (2019/20)	8	Moderate	8	-	-	-	All actions complete.
VAT (2019/20)	3	Moderate	2	1	-	-	Remaining action in progress. Still outstanding due to year end accounts and Civica input required.
TOTALS	25		21	2	2	-	

MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Asset Disposals (2021/22)	7	Limited	7	-	-	-	-	-	-	-
Project Management (2021/22)	1	Moderate	-	1	-	-	-	1	-	-
Health & Safety (2021/22)	6	Moderate	5	1	-	-	-	-	-	1
Shared Service and Third Party Assurance (2021/22)	4	Substantial	4	-	-	-	-	-	-	-
Treasury Management (2021/22)	2	High	1	-	-	1	-	-	-	1

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
S106 (2021/22)	8	Moderate	5	-	-	3	-	1	2	-
Homelessness	7	Moderate	-	-	6	1	-	1	3	3
Data Sharing Agreements (2022/23)	4	Limited	1	-	-	3	-	2	1	-
Cyber Security & Mobile Devices (2022/23)	Confidential									
Property Repairs and Maintenance (2021/22)	8	Limited	3	-	-	5	-	2	3	-
Conflicts of Interest (2022/23)	10	Substantial	5	-	-	5	-	-	1	4
Budgetary Control (2022/23)	2	High	-	-	-	2	-	-	-	2
Apprenticeships (2022/23)	9	Moderate	-	-	-	9	-	1	4	4
Risk Management (2022/23)	4	Moderate	-	-	-	4	-	1	3	-
Key Financial Controls (2022/23)	2	Substantial	1	-	-	1	-	-	2	-
TOTALS	74		32	2	6	34	-	9	19	15

Key to recommendations:

- ✓/S Implemented or Superseded
- P Partially implemented/recommendation in progress
- X Recommendation not implemented/awaiting update
- ND Not due for follow up
- C Critical priority recommendation
- H High priority recommendation
- M Medium priority recommendation
- L Low priority recommendation

Asset Disposals – All actions completed.

Project Management – Currently no spare capacity to create a Project Management Framework due to the priority of Project/Programme delivery.

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.

Treasury Management – The outstanding action is not yet due.

Shared Service and Third Party Assurance – All actions completed.

S106 – Outstanding recommendations not yet due.

Homelessness – Awaiting an update on outstanding actions.

Data Sharing Agreements - Outstanding recommendations not yet due.

Cyber Security and Mobile Devices – To be followed up in a separate review in Qtr 3.

Property Repairs and Maintenance – Outstanding recommendations not yet due.

Conflicts of Interest - Outstanding recommendations not yet due.

Budgetary Control - Outstanding 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: <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.