

# Internal Audit Progress Report Audit & Standards Committee (September 2021)

Fylde Borough Council

# Contents

## 1 Introduction

## 2 Key Messages for Audit & Standards Committee Attention

**Appendix A:** Contract Performance

**Appendix B:** Performance Indicators

**Appendix C:** Key Areas and Actions to be Delivered

**Appendix D:** Follow-up of Previous Audit Actions

**Appendix E:** Assurance Definitions and Risk Classifications

## 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 & Standards Committee in respect of the progress made in against the Internal Audit Plan for 2021/22 and brings to your attention matters relevant to your responsibilities as members of the Audit & 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 & Standards Committee.

This progress report covers the period 1 April – 16 September 2021.

## 2 Executive Summary

There has been the focus on the following areas:

### 2021/22 Audit Reviews

The following reviews have been finalised:

- Operational Services and Parks Departments – Vehicle and Equipment Asset Disposals (Limited assurance level)

Refer to Appendix C for details of Key Areas and Actions to be delivered

The reviews below are currently in progress:

- Risk Management (fieldwork)
- Housing Benefits (fieldwork)
- Disabled Facilities Grant (fieldwork)
- Corporate Health & Safety (fieldwork)
- Treasury Management (planning)
- Key Financial Controls (planning)
- Cyber Security (planning)
- Data Sharing Protocols (planning)

Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2021/22.

Appendix B provides information on Internal Audit performance.

Follow Up	<p>A summary of the current status of moderate and limited assurance rated reports follow-up activity is included in Appendix D, however, we would draw the committee's attention to the following:</p> <ul style="list-style-type: none"><li>• 75 out of 114 recommendations have been completed, supersede, are in progress or are not yet due.</li><li>• 39 actions remain outstanding, some of which have been delayed due to Covid-19.</li></ul>
Audit Plan Changes	<p>Audit 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"><li>• S 106 Review to be moved from Qtr 2 to Qtr 4 due to resourcing issues at the Council.</li></ul>
Insights	<p><a href="#">Collaborative Masterclass Events</a></p> <ul style="list-style-type: none"><li>• <a href="#">Political Leadership: Learning How Democratic and Participatory Approaches Make a Difference Across Public Services</a> (16<sup>th</sup> September 2021)</li><li>• <a href="#">The energised workplace: Designing Work So That People Flourish</a> (14<sup>th</sup> September 2021)</li></ul>

## 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 2021/22:

HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	In progress	
Risk Based Assurances		
Vehicles and Equipment Asset Disposals	Completed	Limited
Disabled Facilities Grant	In progress	
Housing Benefits	In progress	
Health & Safety	In progress	
Third Party Assurance	Qtr 3	
Property Repairs and Maintenance	Qtr 3	
Data Sharing Protocols	Planning	
Cyber Security	Planning	
Project Management	Qtr 3	
Treasury Management	Planning	
Property Repairs and Maintenance	Qtr 3	
NNDR & Council Tax	Qtr 4	
Key Financial Controls	Planning	
S106	Qtr 4 (Terms of Reference Agreed)	
COVID Support	TBC	

HOIA Opinion Area	Status	Assurance Level
Follow Up		
Qtr 1	Completed	N/A
Qtr 2	Completed	
Qtr 3	Scheduled Qtr 3	
Qtr 4	Scheduled Qtr 4	
Management		
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement	Ongoing	N/A
Covid Support		
Planning and Management		
Reporting and Meetings		
Contingency		

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.

## 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	Link to questionnaire included within 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 prior to April 2021	Quarterly	Amber	Most recommendations have been implemented or are in progress. For most of those outstanding, implementation has been delayed as a result of COVID-19.
Percentage of recommendations which are implemented - reports issued post April 2021	Quarterly	N/A	Recommendations not yet due for follow up
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

Element	Reporting Regularity	Status	Summary
			Sector Internal Audit Code of Ethics.

## Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Operational Services and Parks Departments – Vehicle and Equipment Asset Disposals			
Executive Sponsor	Director of Resources			
Objective	The overall objective was to identify and evaluate the controls in place to manage key risks which would affect the effective operation of the organisation's system for vehicle and equipment asset disposals.			
Assurance Level	Limited Assurance			
Recommendations	0 X Critical	2 x High	4 x Medium	1 x Low
Summary	<p>This review was added to the audit programme at the request of council management as a result of a delay in banking the proceedings of an auction brought to their attention. As a result, we were requested to examine what controls needed to be strengthened with respect to the organisation's system for vehicle and asset disposals.</p> <p>We found that there was a series of local agreements which had been developed over time, which had become custom and practice. There was a consequent reliance on the Fleet Manager to control the processes from the initial identification of the assets for disposal to receipt of proceeds. These working practices presented a risk to both the council and the individual officer and increased the risk of potentially fraudulent activity.</p> <p>We suggested a number of key actions as a result, which have been agreed by the council's management, in order to strengthen control measures going forward.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

## Appendix D: Follow up of previous internal audit recommendations with Moderate or Limited Assurance levels

AUDIT TITLE (YEAR ISSUED)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				Comments
			✓/S	P	X	Not due	
Risk Management (2019/20)	7	Moderate	7	-	-	-	All actions have been superseded by the current Risk Management Review in progress.
Equipment Inventories (2020/21)	7	Limited	6	1	-	-	There is one action outstanding, which is in progress and is expected to be completed shortly.
Commercial Property (2019/20)	9	Limited	1	3	5	-	Access to properties and HM Land Registry have been impacted by Covid-19 restrictions and therefore has resulted in the delay of the implementation of actions.
Inspection and Maintenance of Trees (2018/19)	9	Limited	2	7	-	-	A Tree Officer has been appointed and is progressing the actions.
GDPR (2019/20)	16	N/A	9	-	7	-	The outstanding actions are largely policy related
Environmental Permitting Regs (2019/20)	6	Limited	3	-	3	-	Covid-19 has resulted in the delay of the implementation of the actions, along with the lack of courses available for training.
Fuel Consumption (2019/20)	9	Limited	8	1	-	-	Covid-19 has resulted in the delay of the implementation of the action.
Event Management (2019/20)	15	Limited	15 (TBC)	-	-	-	We were informed that the actions have been completed as part of the recent Lytham Kite Festival Event. However due to pressures of the Festival at the time of the work we have not yet obtained evidence of completion.
Contract Procedure Rules (2020/21)	5	Moderate	1	-	4	-	Covid-19 has resulted in the delay of the implementation of the actions.
Sundry Debtors (2019/20)	8	Moderate	1	-	7	-	Completion of the actions has been postponed until March 2022.
VAT (2019/20)	3	Moderate	-	-	3	-	Completion of the actions has been postponed until March 2022.
Heritage Assets (2019/20)	5	Moderate	-	-	5	-	We were unable to obtain information as the staff responsible were working on the Lytham Kite Festival.
Homeless Reduction (2019/20)	5	Moderate	3	-	2	-	Covid-19 has resulted in the delay of the implementation of the actions.

AUDIT TITLE (YEAR ISSUED)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				Comments
			✓/S	P	X	Not due	
Payroll (2020/21)	10	Moderate	4	1	3	2	Covid-19 has resulted in the delay of the implementation of the actions.
TOTALS	114		60	13	39	2	

Key to recommendations:

- ✓/S Implemented or Superseded
- P Partially implemented/recommendation in progress
- X Recommendation not implemented
- ND Not due for follow up

## 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"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
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"> <li>has a low impact on the achievement of the key system, function, or process objectives.</li> <li>has exposed the system, function, or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
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.