

Internal Audit Progress Report Audit & Standards Committee (January 2022)

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 & 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 December 2021.

2 Executive Summary

There has been the focus on the following areas:

2021/22 Audit Reviews	<p>The following reviews have been finalised:</p> <ul style="list-style-type: none">• Health & Safety (Moderate assurance level) <p>Refer to Appendix C for details of Key Areas and Actions to be delivered</p> <p>The reviews below are currently in progress:</p> <ul style="list-style-type: none">• Third Party Assurance (work in progress)• Property Repairs and Maintenance (planning)• Project Management (planning)• Treasury Management (planning)• Key Financial Controls (planning)• Cyber Security (planning)• Data Sharing Protocols (planning) <p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2021/22.</p> <p>Appendix B provides information on Internal Audit performance.</p>
Follow Up	<p>A summary of the current status of 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">• Progress has been made in the completion of outstanding actions from Moderate and Limited assurance reports issued by the previous audit team, these actions were not risk rated. 70 out of 107 actions have been completed. Of the remaining 37 actions, 19 are in progress with a further 18 actions either not started or postponed.• A separate table details the actions arising from MIAA reports including risk ratings. These additional 18 actions are not yet due and will be followed up in due course.
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> <p>As a result of the delayed External Audit completion, Internal Audit reviews requiring input from the Finance team may need to be deferred until Quarter 1.</p>
Insights	<p>Collaborative Masterclass Events</p> <ul style="list-style-type: none">• Leading for Diversity: Having Brave Conversations (27th January 2022)• Behaviour Change: What Works? (11th March 2022)• Outlook for the public sector (31st March 2022)

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 - Final Draft Report (reported to the Committee in November 2021)	Moderate
Risk Based Assurances		
Vehicles and Equipment Asset Disposals	Completed	Limited
Disabled Facilities Grant	Completed	Moderate
Housing Benefits	Completed	Substantial
Health & Safety	Completed	Moderate
Third Party Assurance	In progress	
Property Repairs and Maintenance	Planning	
Data Sharing Protocols	Planning	
Cyber Security	Planning	
Project Management	Planning	
Treasury Management	Planning	
NNDR & Council Tax	Qtr 4	
Key Financial Controls	Planning	
S106	Qtr 4	
COVID Support	TBC	

HOIA Opinion Area	Status	Assurance Level
Follow Up		
Qtr 1	Completed	N/A
Qtr 2	Completed	
Qtr 3	Completed	
Qtr 4	Scheduled Qtr 4	
Management		
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement	Ongoing	N/A
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. As a result of the delayed External Audit completion, Reviews requiring input from the Finance team may need to be deferred until Quarter 1.
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

Element	Reporting Regularity	Status	Summary
			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	Health & Safety			
Executive Sponsor	Chief Executive			
Objective	The overall objective was to review and evaluate processes and controls that are established and operated to identify and manage risks in relation to compliance with corporate Health and Safety requirements.			
Assurance Level	Moderate Assurance			
Recommendations	0 X Critical	1 x High	4 x Medium	1 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively with regards to training and support offered to staff and management with reinforcement of obligations provided by the Chief Executive through staff briefings and personal intervention.</p> <p>However, there were areas where processes and procedures need to be updated, strengthened and reviewed most notably the Policy and Guidance documents. Additionally, following the COVID pandemic, the Health & Safety workplan and the resumption of audit inspection visits need to be implemented. These processes along with Risk Management in the GRACE system should be embedded into a system of regular update, review and reporting.</p> <p>Whilst Health & Safety appears as a standing agenda item on the Management Team meetings, reporting of Health & Safety matters, areas of focus and performance could be improved to include performance indicators and progress at regular intervals.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

Appendix D: Follow up of previous internal audit recommendations

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	
Equipment Inventories (2020/21)	7	Limited	7	-	-	-	All actions complete, including the creation of a Handheld Equipment Register, asset spot checks and documentation of disposals.
Commercial Property (2019/20)	9	Limited	1	5	3	-	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. Along with staff absences.
Inspection and Maintenance of Trees (2018/19)	9	Limited	9	-	-	-	All actions complete, including a scrutiny report on the Council's trees, tree inspection software and webpage updates.
GDPR (2019/20)	16	N/A	12	4	-	-	The outstanding actions are largely policy related.
Environmental Permitting Regs (2019/20)	6	Limited	3	2	1	-	Covid-19 has resulted in the delay of the implementation of the actions. The team are looking to complete the remaining actions in March 2022.
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. However, we have not yet received evidence of completion.
Contract Procedure Rules (2020/21)	5	Moderate	3	-	2	-	The actions in progress are expected to be completed by Spring.
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	1	4	-	-	The actions in progress are expected to be completed by Spring.
Homeless Reduction (2019/20)	5	Moderate	4	1	-	-	There is one action in progress and is expected to be completed imminently.
Payroll (2020/21)	10	Moderate	6	2	-	2	Actions are either in progress or not yet due.

AUDIT TITLE (YEAR ISSUED)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				Comments
			✓/S	P	X	Not due	
TOTALS	107		70	19	6	12	

MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Asset Disposals (2020/21)	7	Limited	-	-	-	7	-	2	4	1
Housing Benefits (2021/22)	3	Substantial	-	-	-	3	-	-	3	-
Disabled Facilities Grants (2021/22)	8	Moderate	-	-	-	8	-	1	5	2
TOTALS	18		-	-	-	18	-	3	12	3

Key to recommendations:

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