

Internal Audit Progress Report Audit & Standards Committee (November 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: Assurance Definitions and Risk Classifications

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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 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 17th September– 29th October 2021.

2 Executive Summary

There has been the focus on the following areas:

2021/22 Audit Reviews

The following reviews have been agreed with management:

- Disabled Facilities Grants (Moderate assurance level)
- Risk Management (Moderate assurance level)
- Housing Benefits (Substantial assurance level)

Refer to Appendix C for details of key findings and actions to be delivered

The reviews below are currently being scoped or are in progress:

- Corporate Health & Safety (fieldwork)
- Cyber Security (fieldwork)
- Data Sharing Protocols (fieldwork)
- Treasury Management (planning)
- Property Repairs & Management (planning)
- Key Financial Controls (planning)
- Third Party Assurance (planning)
- Project Management Framework (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	A summary of the status of moderate and limited assurance rated reports was provided at the previous Audit and Standards Committee in September. We will continue to follow-up outstanding actions and will provide a further update at the January 2022 meeting.
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">• There are no current proposals to amend the approved audit plan.
Insights	<p>Our latest briefings/blogs are:</p> <ul style="list-style-type: none">• Learning from Political Leadership• Interns reflect on their year at MIAA• MIAA Social Value Statement• Internal Audit: Focus on the Future• How Information Governance supported the Covid-19 response <p>Collaborative Masterclass Events</p> <ul style="list-style-type: none">• Leading for Social Change: Becky Margiotta, The Billions Institute (11th November 2021)• How the North West is facing the Building Back Fairer Challenge: Professor Sir Michael Marmot (18th November 2021)

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

Follow Up

HOIA Opinion Area	Status	Assurance Level
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
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 are not 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	Disabled Facilities Grant			
Executive Sponsor	Director of Development Services			
Objective	The overall objective was to evaluate the controls in place to manage the key risks which would affect the effective operation of the organisation's system for authorisation, payment and monitoring of Disabled Facilities Grants (DFG) by Fylde Borough Council.			
Assurance Level	Moderate			
Recommendations	0 X Critical	1 x High	5 x Medium	2 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively with regard to records maintained in relation to grants awarded. However, there were areas of operational practice that were inconsistent with formal policy and areas where policy and process would benefit from strengthening.</p> <p>A priority area for action is to retain evidence and demonstrate more formally that value for money has been considered, in particular when approving single tender quotes.</p> <p>We did note also that there was a high number of satisfaction surveys completed and submitted. These showed, overall, applicants were pleased with both the DFG service and the works / equipment for which grants are awarded to provide a more independent lifestyle than they may otherwise enjoy.</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. Actions are being assigned owners and finalised.</p>			

Key Risks Highlighted with No Agreed Action	N/A			
Report Title	Risk Management			
Executive Sponsor	Director of Resources			
Objective	The overall objective of the review was to provide assurance on the design and operating effectiveness of the Council's risk management processes.			
Assurance Level	Moderate Assurance			
Recommendations	0 X Critical	1 x High	4 x Medium	2 x Low
Summary	<p>The review identified that although there was a risk management system in place that was operational to some degree, there were a number of areas where further improvement is required.</p> <p>In determining our overall assurance we have sought to acknowledge the work the Council has undertaken to improve and develop the risk management systems and note that the direction of travel is positive. We also note the impact of regular change to the personnel in the risk management officer role. In addition the previous HOIA, who fulfilled the risk management officer role, was administering business grants and audit returns for several months prior to her departure.</p> <p>Due to pressures caused by COVID and timing of key staff changes, the first part of the year provided limited evidence of formal risk management processes taking place.</p> <p>Managers told us that they are managing risks at a local level and that this can be outside the agreed Council risk management framework. There is greater opportunity to embed processes in the year to allow the Council's risk management to operate effectively and continue to mature including delivering the planned training halted by the pandemic.</p> <p>The Council has updated its Risk Management Strategy and had 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>			

	Management are finalising actions including responsible officer and implementation date and will be presenting them to the Strategic Risk Management Group in November for agreement
Key Risks Highlighted with No Agreed Action	N/A

Report Title	Housing Benefits			
Executive Sponsor	Director of Resources			
Objective	The overall objective was to identify and evaluate the controls in place to manage key risks that would affect the effective operation of the system in place for Housing Benefits.			
Assurance Level	Substantial Assurance			
Recommendations	0 X Critical	0 x High	3 x Medium	0 x Low
Summary	<p>Overall, the review identified that controls were designed and operating effectively.</p> <p>Housing Benefits are administered by the Blackpool Council Revenues and Benefits Team on behalf of Fylde Borough Council. Blackpool Council had several mechanisms in place for staff to receive appropriate support, training, and guidance to fulfil their duties, however, all procedural guidance should be version controlled. Procedural guidance in respect of overpayments and appeals also needs to be developed.</p> <p>From our sample testing during the period April 2021 to June 2021 Benefit applications, changes in circumstances and backdated claims were correctly assessed including eligibility checks in line with regulations and were processed in a timely manner. Case reviews for particular, high risk, claimants were also evidenced as part of our sample testing.</p> <p>Fylde Council are responsible for reconciliation of the benefits system and the general ledger with evidence being provided to show monthly reconciliations as part of the overall bank reconciliation process. Segregation of duties were evidenced to be in place.</p>			

	<p>Shared service targets have been set for the year 2021/22, with performance against these being monitored across all levels of the Council.</p> <p>We suggested some 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: 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	<p>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:</p> <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.