

Agenda



AUDIT AND STANDARDS COMMITTEE

Date:	Thursday, 21 January 2016 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	<p>Councillor John Singleton JP (Chairman) Councillor David Donaldson (Vice-Chairman)</p> <p>Councillors Mark Bamforth, Delma Collins, Peter Collins, Roger Lloyd, Edward Nash, Graeme Neale, Roger Small.</p>

	PROCEDURAL ITEMS:	PAGE
1	Declarations of Interest: Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	Confirmation of Minutes: To confirm the minutes, as previously circulated, of the meeting held on 26 November 2015 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 24(c).	1
	STANDARDS ITEM	
4	Issues Raised with the Monitoring Officer (INFORMATION ITEM)	3 – 4
	AUDIT DECISION ITEMS	
5	KPMG Certification of Claims and Returns – Annual Report 2014/15	5 – 8
6	Report by KPMG – Appointment of External Auditors from 2018/19 Financial Year	9 – 17
	AUDIT INFORMATION ITEMS	
7	Heritage Assets Update	18 – 19
8	Internal Audit Interim Report 2015/16	20 – 27
9	Regulation of Investigatory Powers Act 2000: Authorisations	28 - 29

Contact: Katharine McDonnell - Telephone: (01253) 658423 – Email: democracy@fylde.gov.uk

The code of conduct for members can be found in the council's constitution at
<http://fylde.cmis.uk.com/fylde/DocumentsandInformation/PublicDocumentsandInformation.aspx>

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INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	21 JANUARY 2016	4

ISSUES RAISED WITH THE MONITORING OFFICER

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The Monitoring Officer has been appointed as Proper Officer to receive allegations of failure to comply with the Code of Conduct regarding councillors, town and parish councillors and co-opted members. The Monitoring Officer has delegated authority, after consultation with the 'Independent Person', to determine whether an allegation of members' misconduct requires investigation and arrange such an investigation.

The Monitoring Officer should seek resolution of complaints without formal investigation wherever practicable and she has the discretion to refer matters to the Audit and Standards Committee where she feels it is inappropriate for her to take a decision on a referral for investigation. She should also periodically prepare reports for the Audit and Standards Committee on the discharge of this function.

In order to keep the Audit and Standards Committee informed as to the number and general nature of matters brought to her attention; reports on the discharge of the function of Monitoring Officer are brought on a periodic basis.

It is a point of clarification that there are a number of stages in dealing with reported matters. Some matters are brought to the attention of the Monitoring Officer without merit. In instances where a breach may have been considered to arise, and in line with agreed procedures, wherever possible the Monitoring Officer should seek the resolution of complaints without the need for formal investigation.

SOURCE OF INFORMATION

The Monitoring Officer.

INFORMATION

The table below shows the nature of the allegations made in the complaints since last reported to the Audit and Standards Committee on 24 September 2015. Complainants do not need to specify a relevant part of the code where they believe a breach has occurred (and indeed some of these complaints relate to differing codes dependant on when the complaint originates). For the purpose of the table below, the Monitoring Officer has made a judgement and grouped them accordingly.

PARISH MATTERS	
Failure to treat others with respect	0
Bringing the authority into disrepute	0
Interests	1

BOROUGH MATTERS	
Failure to treat others with respect	0
Bringing the authority into disrepute	0
Interests	2

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

Periodic reports to the Audit and Standards Committee show all the matters which have been brought to the attention of the Monitoring Officer for review in order that members of the Audit and Standards Committee have an appreciation of all matters arising.

FURTHER INFORMATION

Contact Tracy Morrison, Monitoring Officer Tel: 01253 658521

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	21 JANUARY 2016	5

KPMG CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2014/15

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The report presents the Certification of Claims and Returns - annual report for 2014/15 from KPMG. The report will be presented by KPMG.

RECOMMENDATIONS

1. The Committee is recommended to note the contents of the 'Certification of Claims and Returns - annual report for 2014/15' from KPMG which is attached to this covering report.

CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment (Place)		To Encourage Cohesive Communities (People)	
To Promote a Thriving Economy (Prosperity)		To Meet Expectations of our Customers (Performance)	✓

SUMMARY OF PREVIOUS DECISIONS

This item is considered each year by the Audit and Standards Committee in respect of the previous financial years grant claims.

REPORT

1. The attached report has been prepared by the Council's external auditors, KPMG. It summarises the results of work carried out by KPMG on the certification of the Council's grant claims and returns relating to 2014/15.

IMPLICATIONS	
Finance	No specific implications
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications

LEAD AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue Chief Financial Officer	01253 658566	January 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
none		

Attached documents

1. Report of KPMG - Certification of Claims and Returns - annual report for 2014/15



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United Kingdom

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Paul O'Donoghue
Chief Financial Officer
Fylde Borough Council
The Town Hall
St Annes Road West
Lytham St Annes
FY8 1LW

Our ref Let-CP/2016/002

4 January 2016

Dear Paul

Certification of claims and returns - annual report 2014/15

Public Sector Audit Appointment requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2014/15.

In 2014/15 we carried out certification work on only one claim/return, the Housing Benefit Subsidy claim. The certified value of the claim was £20,484,336, and we completed our work and certified the claim on 26 November 2015.

Matters arising

Our certification work on Housing Subsidy Benefit claim did not identify any issues or errors and we certified the claim unqualified without amendment.

Consequently we have made no recommendations to the Authority to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2014/15 of £11,610. Our actual fee was the same as the indicative fee, and this compares to the 2013/14 fee for this claim of £9,504.

Yours sincerely

Tim Cutler
Partner

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	21 JANUARY 2016	6

REPORT BY KPMG - APPOINTMENT OF EXTERNAL AUDITORS FROM 2018/19 FINANCIAL YEAR

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The report presents a summary of the issues arising from the introduction of new powers for local authorities to appoint their external auditor from the 2018/19 financial year onwards. The report will be presented by KPMG.

RECOMMENDATIONS

1. The Committee is recommended to note the contents of the KPMG Report 'Appointing your external auditor'.

CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment (Place)		To Encourage Cohesive Communities (People)	
To Promote a Thriving Economy (Prosperity)		To Meet Expectations of our Customers (Performance)	√

SUMMARY OF PREVIOUS DECISIONS

This issue has not previously been considered by the Audit & Standards Committee.

REPORT

1. The attached report has been prepared by the Council's external auditors, KPMG. It summarises the key issues arising from the introduction of new powers for local authorities to appoint their external auditor from the 2018/19 financial year onwards.
2. The report summarises the options available to local authorities in this regard and recommends that Councils should be developing an appropriate procurement strategy and selecting a preferred approach during 2016.

IMPLICATIONS	
Finance	No specific implications – it is anticipated that the cost of external work for future years would be met from the existing approved budget provision.
Legal	None arising from this report
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

LEAD AUTHOR	TEL	DATE	DOC ID
Paul O'Donoghue Chief Financial Officer	01253 658566	January 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
none		

Attached documents

1. Report of KPMG – 'Appointing your external auditor'.

Considerations for the local government sector

November 2015

Financial
 Audit
 Assurance
 Expert
 True
 Internal
 Framework
 Reporting
 Opinion
 Enhance
 View
 Statements
 Law
 Cost
 Risk
 Error
 False
 Banks
 Tax authorities
 Shareholders
 Employees
 Customers
 Regulators
 Suppliers
 Re-computation
 Determination
 Verification
 Reconciliation
 Scrutiny
 Tracing
 Inquiry
 Controls
 Assertion
 Benchmark
 Transparency
 Checking
 Confirmation
 Misstatement
 Confidence
 Express
 Accuracy
 Fair
 Innovation
 Accountant
 Confirmation
 100%

Appointing your external auditor

Background

In August 2010 the then Secretary of State for Communities and Local Government, Eric Pickles, announced that he intended to close the Audit Commission, the body that appointed external auditors to Local Government and NHS organisations (excluding Foundation Trusts). As part of this announcement, he also stated that organisations whose appointments were previously controlled by the Audit Commission should have the freedom to appoint their own external auditors.

The Audit Commission closed on 31 March 2015. At that time contracts were already in place for local government and NHS external audit appointments that covered audits up to and including the financial year 2016/17. Within these contracts there is an option to extend for a maximum of three further years, i.e. up to and including the financial year 2019/20.

A consultation exercise with key stakeholder groups has recently been concluded on whether, and if so for how long, to extend these contracts. The Government decided that for local government bodies the contracts will be extended by one year, so incorporating the audit of the 2017/18 financial year. Contracts for NHS bodies will not be extended.

What does this mean for your organisation?

This decision means that you will assume the power to appoint your external auditor from the 2018/19 financial year onwards. This will be the first time you have made such an appointment. External auditors provide an important professional service and play a critical role in the stewardship of public spending, so it is vital that this new decision making power is exercised after careful consideration on how to proceed. Whilst you have different options open to you on how to approach this new power, you will need to comply with some specific requirements.

Appointing your external auditor

What should local authorities be considering?

In deciding what to do there are a number of considerations.

Do your current external auditors provide you with a good service?	If yes, do you need to change? If no, now you have an opportunity to do something about it.
How could we procure an external audit service to ensure we get best value?	<p>You will have a number of options on how and when to procure your external audit service – these are summarised later in this document.</p> <p>Given the range of options it will be important to consider the best approach for your organisation.</p>
What do we need to do before we start a procurement process?	The new regulations require you to have an Audit Panel, which will be responsible for recommending who your external auditor should be. This Panel must include a majority of independent (i.e. not elected) members and an independent chair. It makes sense for the Panel to have links with your audit committee.
When do we need to undertake a procurement exercise?	<p>The regulations require you to have appointed your external auditor by 31 December in the year preceding the year of audit. As 2018/19 is the first year of these new arrangements, you will need to have appointed your auditor by 31 December 2017.</p> <p>You will need to undertake whatever procurement process you follow in good time – sometime between the Spring and Autumn of 2017. And before doing that you will need to have established your Audit Panel – by early 2017 would be sensible.</p>
Who can I appoint to be our external auditor?	You will only be able to appoint an audit firm that has been authorised by the ICAEW to undertake 'local audit work'. Local government auditing is highly specialised and you will need to ensure that your auditor has the necessary capability, experience and capacity to fulfil the statutory duties of a local government auditor.

Appointing your external auditor

Procurement options

Although local government bodies will all assume the same power to appoint their external auditor, it is likely that various options will be followed on how they go about doing this. The main options are set out below.

Re-appoint incumbent auditor	One option might be to continue with your current audit provider for a short period, say between one and three years. This would delay testing the market, although you could benchmark proposed fees for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and also avoid the 'rush to market' as large numbers of local authorities undertake procurement exercises within a short period of time, allowing you to procure later in a more settled audit market.
Stand-alone tendering	As with any other service, you could run your own procurement process. This allows complete autonomy over how and when you want this to be done, although you will need to ensure you follow the Regulations and consider any guidance issued by DCLG or other relevant bodies. However, you should consider whether you will have sufficient purchasing power on your own to obtain best value.
Combined procurement	You could join together with one or more neighbouring authorities to undertake a collective procurement exercise. This would enhance your purchasing power, but would diminish your autonomy over the process and you would need to consider how to retain sufficient sovereignty over decision making and whether this might complicate auditor independence considerations.
Existing frameworks	You could use one of the many existing government or public sector frameworks. These list firms who have already been shortlisted and therefore might speed up the process. You will need to ensure that the firms on any framework have been authorised by the ICAEW for local audit work, however.
Sector led procurement	The new audit legislation allows for a sector-led body (referred to as a 'specified person' in the Regulations) to undertake a bulk procurement process. If such an organisation emerges then this option provides an administratively easy route and would most likely have the greatest element of specialist audit procurement expertise. It would also provide good purchasing power, although with less autonomy than some other options, and might afford easier management of potential auditor independence issues than other combined procurements approaches. It will be the most similar option to the current arrangements.

Appointing your external auditor

What other factors should you consider?

When you are deciding who to appoint as your external auditor you will need to consider a range of factors. Key areas to consider are as follows:

- **Quality:** This is a vital consideration and should be appropriately weighted in any scoring methodology for assessing tenders. Relevant considerations include audit methodologies, systems and processes, staff training and expertise, and quality monitoring arrangements.
- **Experience:** Local government auditing is a specialist business and your auditor must have the necessary skills and sector experience. This is not just about understanding local authority financial reporting, but extends into auditors' value for money audit responsibilities and 'challenge' work.
- **Independence:** You will need to consider possible relationships with audit firms via non-audit work such as consultancy and tax advice. Independence is also an important mind-set for auditors to adopt, where you should be satisfied that your future auditor will be sufficiently challenging (and your current auditor should not be constrained in exercising their duties by any tendering process).
- **Organisational fit:** As with any service it is important to consider how the people you see in the audit team fit with your own organisational culture – i.e. can you work with these people.
- **Price:** Like any other out-sourced service you need to obtain good value through a competitive audit fee. However, best value does not mean the cheapest quote. The fee must be sufficient to provide a good quality service taking account of the scale, nature and risk profile of your organisation, and also the requirement for your external auditor to comply with auditing standards and other statutory duties.
- **Other services:** Although ethical standards provide limitations, you should consider what other services you might want your auditor to perform, whether that is other assurance services (e.g. certifying grant claims) or more added-value services.

Appointing your external auditor

What next?

There is still plenty of time before you appoint your external auditor for the first time, but there will be a long lead up to that decision. It is therefore important to think about how your organisation should approach this in good time. We would suggest that you should be developing your procurement strategy and selecting your preferred approach during 2016.

It is likely that further guidance and support will be issued by DCLG, and potentially other organisations such as CIPFA, to help you with the decisions you need to make and how you proceed. We will continue to update you on key developments.

If you want to discuss this further please contact your audit Engagement Lead, Tim Cutler.





cutting through complexity

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INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	21 JANUARY 2016	7

HERITAGE ASSETS – UPDATE

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY OF INFORMATION

At its meeting in September 2015 the Committee considered a report on high and medium priority actions outstanding from 2013/14. The Committee resolved that the register of heritage assets should be completed by January 2016. This report provides the current position.

SOURCE OF INFORMATION

Audit and Standards Committee Minutes 24 September 2015.

LINK TO INFORMATION

[Information Note – Heritage Assets - Update](#)

[Audit and Standards Committee documents 24 September 2015](#)

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

The Audit and Standards Committee resolved that a particular action in relation to Heritage Assets must be completed by January 2016.

FURTHER INFORMATION

Savile Sykes, Head of Internal Audit, saviles@fylde.gov.uk, 01253 658413.

INFORMATION NOTE

Heritage Assets - Update



Current Position

1. At its meeting on 24 September, the Committee considered a report on high and medium priority actions outstanding from 2013/14. One of the matters contained in the report related to the compilation of a comprehensive central register of heritage assets in the ownership of the Council.
2. At the time of the meeting the draft register remained a work in progress but with an ongoing commitment from the responsible manager to complete the agreed exercise and maintain it subsequently.
3. The Committee resolved that the completion of a central register of heritage assets should be completed by January 2016, and if the register was not completed by that date the responsible officer be invited to the January 2016 meeting of the Audit and Standards committee to explain the current position.
4. It can now be confirmed that the collection of heritage assets has now be systematically and professionally catalogued in two registers - Section 1 'Paintings' and Section 2 'Decorative Art Items'. The latter group comprises sculpture and three dimensional items, such as civic regalia, antique ivory figurines, furniture and silverware.
5. The register entry for each item now incorporates a unique collection number, title of the art work, name of the artist, the medium used to create the piece, the year of donation, identity of the donor, whether the artwork has been conserved and if so by which organisation, its priority for conservation, its most recent valuation and a good quality image.
6. The final achievement of this action now completes the Heritage Asset Action Plan, which is noted in the Internal Audit Interim report.

FURTHER INFORMATION AVAILABLE FROM

Savile Sykes, Head of Internal Audit, saviles@fylde.gov.uk, 01253 658413.

INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	21 JANUARY 2016	8

INTERNAL AUDIT INTERIM REPORT 2015/16

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY OF INFORMATION

At its meeting in March 2015 the former Audit Committee endorsed the Internal Audit Annual Plan for 2015/16. This report summarises the work undertaken by internal audit from April to December 2015 and performance information for the same period in accordance with the reporting requirements set out in the Public Sector Internal Audit Standards. It also outlines factors affecting the achievement of the annual plan.

SOURCE OF INFORMATION

Internal Audit
Audit Committee 26 March 2015

LINK TO INFORMATION

[Information Note – Internal Audit Interim Report 2015/16](#)

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

The report is relevant to the Committee's terms of reference and the responsibility of the Committee to monitor both the performance of the internal audit service and the framework of governance, risk management and control. The report also meets the requirements of the Internal Audit Charter and the Public Sector Internal Audit Standards.

FURTHER INFORMATION

Savile Sykes, Head of Internal Audit - call 01253 658413 or e-mail saviles@fylde.gov.uk

INFORMATION NOTE

Internal Audit Interim Report 2015/16



REPORT

1. Introduction

1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of the Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance upon in its assessment of the internal control system.

1.2 Definition of Internal Audit

The definition of internal audit, as described in the UK Public Sector Internal Audit Standards (PSIAS), is set out below:

- ♦ Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.3 Purposes of the Report

1.3.1 The Internal Audit Team is responsible to the Director of Resources for carrying out a continuous examination of the accounting, financial and other operations of the Council in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2011. The latter states that "the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

1.3.2 This report provides the Audit Committee with information on work undertaken and assurances gained in these respects between April and December 2015.

1.4 Statement of Conformance with Public Sector Internal Audit Standards

1.4.1 The Internal Audit service works to the Internal Audit Charter approved by the former Audit Committee in March 2015 that fully reflects the requirements of the PSIAS. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. The Internal Audit team is required to adhere to the code of ethics, standards and guidelines of relevant professional institutes and the relevant professional auditing standards.

1.4.2 Internal Audit has adopted the principles contained in the PSIAS and works substantially in conformance with them, fulfilling the requirements of the Accounts and Audit Regulations 2015 and associated regulations in respect of the provision of an internal audit service.

1.4.3 Where feasible areas of non-conformance with the standards have been developed into an Improvement Plan, which was endorsed by the committee at its September meeting. The outcomes will be reported in accordance with the agreed timetable.

2. Assurance on Internal Control

2.1 During the period from April to December 2015 fifteen reports have been issued with action plans agreed where appropriate. Copies of the reports and action plans are available to view via the Audit Work page on the Intranet.

2.2 In the action plans arising from audit work we categorise recommendations as high, medium or low priority. High indicates a significant control weakness that may result in failure to achieve corporate objectives, reputational damage, material loss, exposure to serious fraud or failure to meet legal/statutory requirements. Medium suggests a less important vulnerability not fundamental to system integrity that could result in failure to achieve operational objectives, non-material loss, or non-compliance to departmental operational/financial procedures. Low priorities relate to good practice improvements or enhancements to procedures, although several low risks in combination may give rise to concern.

2.3 We also measure the overall level of assurance, where appropriate, based on the adequacy and effectiveness of internal control in a system on a five-point scale. Table One sets out the assurance levels and definitions as follows:

Table One: Levels of Assurance

Level	Definition
5 Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives, which is consistently applied
4 Substantial Assurance	There is essentially a sound system of control but there are some minor weaknesses, which may put achievement of certain system objectives at risk
3 Moderate Assurance	While there is on the whole a sound system of control, some controls are not consistently applied resulting in more significant weaknesses that may put some system objectives at risk
2 Limited Assurance	There are significant/serious weaknesses and inconsistent application of controls in key areas that put the system objectives at risk
1 No Assurance	The control framework is generally weak leaving the system open to significant error or abuse and is not capable of meeting its objectives

2.4 Table Two shows the category of recommendations identified for each audit completed in the period, together with the assurance rating for the system reviewed.

Table Two: Reports, Risk & Assurance

Audit Area	High Risks	Med Risks	Low Risks	Assurance Level
Fuel Cards ¹	-	-	-	Full
Corporate Governance	-	2	2	Full
Attendance Management	-	7	5	Moderate
Financial Controls Assurance Testing				
Business Rates	-	-	-	Full
Council Tax	-	-	-	Full
Housing Benefits	-	-	-	Full
Income Collection - Central System	-	1	-	Full
Income Collection - Remote Sites				Limited
Bereavement Services	-	-	1	
Customer Services	-	-	2	
Fairhaven Lake	3	-	-	

Fleet Services	-	2	1	
Creditors	-	-	2	Full
Treasury Management	-	-	3	Full
Bereavement Services	-	3	3	Moderate
Complaints	-	7	3	Moderate
Total	3	22	22	

¹ Reviews from 2014/15 finalised in 2015/16

² Joint audit with Blackpool Council

2.5 For 2015/16 reviews undertaken by Internal Audit to 31st December the average assurance score was 4.3 on the scale of 1 to 5. This equates to substantial assurance overall and indicates that the control framework is sound but some minor weaknesses may put some system objectives at risk.

2.6 There were three important internal control weaknesses brought to the attention of management during the period, and three brought forward from 2014/15. All the actions have been addressed with the exception of one in relation to testing the business continuity plan. An exercise to complete this action was scheduled but unfortunately the Risk and Emergency Planning Manager, who was to lead the exercise, is currently unwell. The event will be rescheduled in due course.

2.7 Table Three sets out the issues, the responsible Directorates and the current position or date for resolution.

Table Three: High Priority Risks Identified

Risk	Director	Resolution Date
Previous Years' Risks		
1. Develop an effective and current Corporate Business Continuity Plan arising from the BIA and reflecting existing risks and structures	Resources	Completed
2. Hold a copy of the Corporate Business Continuity Plan off site in a safe accessible place not dependent on a functioning ICT system	Resources	Completed
3. Conduct an annual exercise to test the Council's planned response to business disruption	Resources	Dec 2015
Current Year's Risks		
4. Staff at Fairhaven Lake who may deal with income will be made aware of the Banking & Cash Handling Procedure 2015 and required to sign the appropriate declaration	Development	Completed
5. Site specific procedures for secure operation of tills and safe custody of cash will be developed for Fairhaven Lake and responsible staff will be trained to follow them	Development	Completed
6. Standard managerial checks consistent with good practice in handling income and banking will be re-instated and consistently applied	Development	Completed

3 Follow-Up Work

3.1 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Seven follow-up reviews have been completed to 31 December. A further four follow-up reviews, previously reported, have also been revisited during the year

3.2 Table Four shows the total number of agreed recommendations that were implemented by managers.

Table Four: Agreed Recommendations Implemented

Audit Area	R e c o m m e n d a t i o n s		
	Total Agreed	Number Implemented	% Implemented
Previous Years' Reports			
Data Protection (Resources) ¹	12	12	100%
Homelessness ¹	13	13	100%
Mayoralty ¹	12	12	100%
Heritage Assets ¹	10	10	100%
Council Tax	3	3	100%
Corporate Governance	12	11	92%
Creditors	2	2	100%
Ethical Governance	15	15	100%
2015-16 Reports			
Income Collection – Remote Sites			
Bereavement Services	1	1	100%
Customer Services	2	2	100%
Fairhaven Lake	3	3	100%
Total	85	84	98.8%

¹ Follow Up from 2013/14 reviews revisited in 2015/16

3.3 The implementation rate for follow-up reviews to 31 December stands at 98.8% against a target of 90%. This compares to last year's overall implementation figure of 97.3% and the 5-year average rate for overall implementation which stands at 91.8%.

4 Special Investigations and Counter Fraud Work

Investigations

4.1 During the year to the 31st December no new investigations into allegations of fraud and corruption were commenced. However, one allegation was brought to the attention of internal audit but separately investigated.

4.2 Table Five summarises the results of the investigations into fraud and corruption for previous years.

Table Five: Results of Special Investigations

Outcome	2010-11	2011-12	2012-13	2013-14	2014-15
Disciplinary action	-	1	-	-	1
Management action	-	-	-	-	2
Third party restitution	-	-	1	-	-
No evidence to support allegation	-	1	2	-	1
Inconclusive evidence	-	-	-	1	1
Investigation terminated	1	-	-	1	-
Investigation ongoing	-	-	-	-	-
Total	1	2	3	2	5

4.3 Only 2 days have been taken up dealing with special investigations and reactive fraud work during the period 1st April to the 31st December 2015. This unusually low figure compares to 58 days for the whole of 2014/15 and a contingency of 15 days included in the 2015/16 annual plan. The amount of investigative work required is not predictable and this year its impact on the achievement of the audit plan has been negligible so far.

National Fraud Initiative

4.4 The Head of Internal Audit acts as key contact for the National Fraud Initiative ongoing data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor, licensing and electoral register information for the data matching exercise.

4.5 The 2014/2015 biennial exercise revealed overpayments totalling of £28,000 with ongoing savings in future years. The Council also participates in an annual exercise involving the comparison of datasets from council tax to the electoral register, which last year resulted in savings of £12,000. This annual element is currently ongoing for 2015/16 with live data extracted from the Council's systems in accordance with the data specifications generating a significant number of matches for investigation.

Shared Fraud Service

4.6 The Head of Internal Audit is responsible for overseeing the delivery of the shared fraud service provided by Preston City Council. Until 31 May 2015 this related to the investigation of housing benefit and council tax reduction scheme fraud. After this date responsibility for the investigation of housing benefit fraud transferred to the Department for Work & Pensions.

4.7 In the current year to 31st December overpayments of £71,395 have been identified resulting in 5 prosecutions and other sanctions. The value of overpayments identified is likely to be considerably less than in previous years because the amount of money involved in non-benefit fraud is generally lower. However, the fraud service will be scrutinising areas that have never been investigated previously and the cost of the service to Fylde is considerably reduced to reflect these changed circumstances.

Whistleblowing

4.8 There have been no instances of employee whistleblowing during the current year to date.

5 Performance of Internal Audit

5.1 A set of performance indicators for internal audit was adopted by the Audit Committee following an exercise to canvass the views of interested stakeholders. Table Six sets out the current performance information against the agreed targets:

Table Six: Performance Indicator Results

Performance Indicator	Target	Actual 2014/15	Current to 31/12/15
IA1 % of audit plan completed	90%	98.1% ¹	63.1%
IA2 % satisfaction rating indicated by post-audit surveys	90%	88.6%	90.7%
IA3 % of audit recommendations agreed with management	95%	100%	100%
IA4 % of agreed actions implemented by management	90%	94.8%	98.8%
IA5 % of 'High Priority' actions implemented by management	100%	85.7%	100%
IA6 % of 'High/Medium Priority' actions implemented by management	95%	92.4%	96.9%
IA7 % of recommendations implemented by the first agreed date	75%	73.9%	50.0%

¹ Revised Audit Plan

5.2 The first two performance indicators reflect specifically on the work and service of the internal audit team. The remaining indicators relate to the effectiveness of the audit service as a result of management's action or inaction.

5.3 The percentage of the audit plan completed to date of 63.1% is explained and addressed in the following section of the report.

6 Internal Audit Plan

Reduced Resources

6.1 The resources of internal audit are almost exclusively manpower related. During the third quarter of 2015/16 the team has been affected by both recruitment problems and covering for an indisposed colleague have impacted on the time available to achieve the annual plan.

6.2 During October a full time member of the audit team resigned and an extended recruitment period occurred with the post remaining vacant for much of the quarter equivalent to about 50 days.

6.3 In December the Head of Internal Audit has provided cover for the insurance element of the Council's Risk and Emergency Planning Officer who was taken ill unexpectedly. The impact of this on the audit plan so far is only around 5 days. However, it is anticipated that further time will need to be allowed in the final quarter of the 2015/16 to allow for work in connection with the annual strategic risk process.

6.4 The appointment of an experienced part time member of staff on a temporary basis is expected to take place early in 2016 to assist with both insurance and audit duties. Nevertheless there will still be a further reduction in the time available to complete the audit plan amounting to about 20 days.

6.5 The total impact of reduced manpower resources in the current audit year is likely to be at least 75 days. From this between 25% and 30% of time is accounted for by holidays, training, absences and non-audit duties. This equates to a loss of around 50 working days.

Impact on Audit Plan

6.6 The objective for the remainder of the year will be to undertake the audits of the remaining

fundamental financial systems, to complete the follow up reviews of audits already undertaken and to conclude those audits already commenced.

6.7 The proposed joint review of Housing Benefits with Blackpool audit team included in the original plan will not proceed within the current financial year as result of operational difficulties within the service. Nevertheless, our work on FCAT will allow assurance to be provided in terms of the overall system. This change will save 18 days.

6.8 A saving of at least 10 days is likely to be made from the contingency for reactive fraud, meaning that a further 22 days will need to be saved by not undertaking planned work in the current year. A concerted effort to save the remaining days from within the audits currently in progress or yet to be performed will be attempted but it is highly likely that some slippage will occur.

6.9 Despite the above, fundamental financial systems and significant corporate matters will continue to be examined as originally planned. This approach will allow the Head of Internal Audit to formulate an opinion of the overall adequacy and effectiveness of the Council's control environment as required by the Public Sector Internal Audit Standards.

FURTHER INFORMATION AVAILABLE FROM

Savile Sykes, Head of Internal Audit, saviles@fylde.gov.uk, 01253 658413.

INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	21 JANUARY 2016	9

REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY OF INFORMATION

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to January 2016, there were no authorised operations.

SOURCE OF INFORMATION

Director of Resources

LINK TO INFORMATION

<https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/134/Committee/23/Default.aspx>

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

Regulations under the Regulation of Investigatory Powers Act 2000 ("RIPA") require councillors to consider a report on the use of RIPA at least quarterly.

FURTHER INFORMATION

Contact Ian Curtis on 01253 658506 or at ianc@fylde.gov.uk.

INFORMATION NOTE

Regulation of Investigatory Powers Act 2000: Authorisations

1. The Regulation of Investigatory Powers Act 2000 ("RIPA") regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
2. Fylde Council is therefore included within RIPA framework with regard to the authorisation of both directed surveillance and of the use of covert human intelligence sources.
3. Directed surveillance includes the covert surveillance of an individual in circumstances where private information about that individual may be obtained. A covert human intelligence source ("CHIS") is a person who, pretending to be someone that they are not, builds up a relationship of trust with another person for the purpose of obtaining information as part of an investigation.
4. Directed surveillance or use of a CHIS must be authorised by the chief executive or a director and confirmed by a Justice of the Peace. All authorisations are recorded centrally by the Head of Governance.
5. This is the required quarterly report on the use of RIPA. The information in the table below is about authorisations granted by the council during the quarter concerned.

Quarter	Directed surveillance	CHIS	Total	Purpose
Oct 2015 – Jan 2016 ¹	0	0	0	

FURTHER INFORMATION AVAILABLE FROM

Ian Curtis, Head of Governance, ianc@fylde.gov.uk , 01253 658506.

¹ Correct to the date the report was written. Officers will verbally update members if the figures have changed by the date of the meeting.