



Agenda

Audit and Standards Committee

Date:	Thursday, 23 July 2020 at 6:30pm
Venue:	Remote meeting via Zoom
Committee members:	<p>Councillor John Singleton JP (Chairman) Councillor Ed Nash (Vice-Chairman)</p> <p>Councillors Paula Brearley, Delma Collins, Peter Collins, Ellie Gaunt, Brian Gill, Kiran Mulholland and Sally Nash-Walker.</p>

Please Note: This meeting is being held remotely via Zoom. To access the meeting please click on the link below.

<https://us02web.zoom.us/j/82845316169?pwd=VVRiUE1pd2RBbTR3TStTZ1JCmNvZz09>

Meeting ID: 828 4531 6169

Password: 562247

	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 21 May 2020 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 23(c).	1
	STANDARDS ITEMS:	
4	Issues Raised with the Monitoring Officer – Decision Item	3 - 5
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12	Update on the Strategic Risk Register	122 - 126
13	Corporate Governance Action Plan Update	127 - 129

Contact: Tara Walsh - Telephone: (01253) 658491 – 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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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	4
ISSUES RAISED WITH THE MONITORING OFFICER			

PUBLIC ITEM

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

SUMMARY

Members are reminded of the Council's procedure for dealing with complaints regarding alleged elected member misconduct, which includes the following:

That the Monitoring Officer be given delegated powers to determine whether a complaint merits formal investigation or otherwise and to arrange such investigation where one is considered appropriate in consultation with one of the Council's independent persons.

Where the investigation finds no evidence of failure to comply with the Code of Conduct, that the Monitoring Officer be instructed to close the matter, providing a copy of the report and findings of the investigation to the complainant and to the member concerned and to the Standards Committee for information.

This report concerns two similar matters where complaints had been made about members not complying with regulations and/or guidance concerning the coronavirus outbreak.

RECOMMENDATIONS

1. Note the investigator's conclusion that the alleged conduct of Councillor X was not carried out in their capacity as a member of the council and was therefore outside the scope of the code of conduct and the council's standards arrangements.
2. Confirm that any further complaints about non-observance by councillors in their private capacity of legislation or guidance concerned with the coronavirus pandemic should be treated by the Monitoring Officer as falling outside the scope of the code of conduct and be dealt with accordingly.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	
Delivering the services that customers expect of an excellent council (Clean and Green)	
Working with all partners (Vibrant Economy)	x
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

PROCEDURAL

1. Reports of investigations where no breach of the code of conduct is found are normally reported to the committee as exempt items, with the details of the allegations and the councillor concerned being given. In this instance the report is in the public part of the agenda because the principle concerned is of general importance. The councillors concerned are therefore not named, details of the allegations are not given and the investigation report is not included in full.
2. It should be stressed that neither Councillor X nor Councillor Y has been found to have breached any restrictions.

THE COMPLAINT ABOUT COUNCILLOR X

3. The allegation was that Councillor X failed to comply with aspects of the emergency regulations that were in force during late March, April and May and which were intended to restrict the spread of the coronavirus. The allegation did not cover any activity which was directly included in Councillor X's role as a councillor.
4. The matter was referred for investigation by Mr Mike Dudfield, who is a local government consultant and retired solicitor. Mr Dudfield concluded that the matters complained of, even if substantiated, were outside the scope of the code of conduct. He observed:

"It has been suggested to me that a Councillor should be seen as setting an example at a time of national emergency by leading compliance with the legislation and guidance established by Government to respond to that emergency. Whilst that view is understandable, and I doubt that anyone would disagree with it, it does not mean that any Councillor's conduct relative to the emergency is automatically caught by the Code without reference to the capacity test set by the Code. If the principle set out by the Complainant is correct, then any conduct at this time by any Councillor which was deemed by a complainant to be beyond the Regulations and/or guidance, however remote from the Councillor's role as a councillor, would constitute a breach of the Code. If that situation was considered by a Tribunal or Court, I would expect the Tribunal/Court to find itself obliged to be bound by the reasoning for the decision in the Livingstone case [where the court ruled on what conduct fell within the ambit of the previous standards provisions].

I therefore conclude that the conduct of Councillor [X] in relation to the matters of complaint were not in [their] capacity as a councillor and, consequently, do not constitute a breach of the Code of Conduct.

Having reached this conclusion, it is not necessary for me to consider the various situations that the Complainant has raised and the extent to which, individually, any of them constitute a breach of the Regulations and/or Government Guidance. I have not sought to investigate any of these particular issues any further and I do not offer any opinion on them...

[...]

The Complainant has sought to implicate Councillor [X]'s conduct as being in breach of a number of areas of legislation and I have explained that it is not within my remit to investigate those areas. Even the areas of Regulation and Government Guidance that refer to Covid-19, to the extent that they establish acts of criminal liability, are not enforceable by Fylde Council. [...] The Police are the appropriate body for dealing with alleged breaches of this nature and, in my opinion, it is not the role of the Council, through its Members' Code of Conduct, to seek to determine whether or not a Member has committed a crime when the Police for whatever reason have decided not to action against the Member.

Conclusions

Fylde Council's Members' Code of Conduct applies whenever a Councillor is acting in their capacity as a member, when a Councillor claims to act or gives the impression they are acting in their capacity as a member, or acts as a representative of the authority on another body (paragraph 2.1 of the Code). The Code does not apply whenever a Councillor is involved in a matter in any other capacity.

For the reasons set out [elsewhere] in...this report, I conclude that the conduct of Councillor [X] in relation to the matters of complaint were not in [their] capacity as a councillor and, consequently, do not constitute a breach of the Code of Conduct.

THE COMPLAINT ABOUT COUNCILLOR Y

5. After the complaint about Councillor X had been referred for investigation, a complaint was received about Councillor Y. That complaint also concerned conduct in the Councillor's private capacity alleged to be in breach of coronavirus regulations or guidance. The Monitoring Officer delayed her assessment of the complaint about Councillor Y until Mr Dudfield had completed his report on the complaint about Councillor X.
6. Following the receipt of the report, and applying the reasoning set out in Mr Dudfield's report, the Monitoring Officer decided to not refer the complaint about Councillor Y for investigation. This was because the alleged conduct was not carried out in Councillor Y's capacity as a member of the council and was therefore outside the scope of the code of conduct

FUTURE COMPLAINTS ABOUT CORONAVIRUS RESTRICTIONS

7. Despite the easing of restrictions, legislation and detailed government guidance remain in place to deal with the coronavirus outbreak. It is possible that further complaints could be received alleging that councillors have not complied with restrictions.
8. The Monitoring Officer considers that the conclusion of Mr Dudfield in the report on Councillor X is correct, and that complaints about councillors not complying with coronavirus restrictions do normally fall within the scope of the code of conduct. She therefore proposes to not refer any future allegations of that kind for investigation, unless there are specific circumstances that connect the conduct alleged with the subject member's role as a councillor. Members are invited to confirm that they agree with the Monitoring Officer's position.

IMPLICATIONS	
Finance	No direct implications
Legal	The Council has a duty to have arrangements in place to consider allegations of elected member misconduct
Community Safety	No direct implications
Human Rights and Equalities	No direct implications
Sustainability and Environmental Impact	No direct implications
Health & Safety and Risk Management	No direct implications

LEAD AUTHOR	CONTACT DETAILS	DATE
Ian Curtis	Head of Governance Tel: 01253 658506	15 July 2020

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	5
ISSUES RAISED WITH THE MONITORING OFFICER			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

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.

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 Manning, Monitoring Officer Tel: 01253 658521

INFORMATION

1. The tables below shows the nature of the allegations made in the complaints since last reported to the Audit and Standards Committee on 19 September 2019. 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	2
Interests	1

BOROUGH MATTERS	
Failure to treat others with respect	0
Using position as a member to gain for yourself or another person an advantage and disadvantage	0
Bringing office or council into disrepute	3
Interests	0

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	6
DELOITTE LLP AUDIT PLAN 2019/20			

PUBLIC ITEM

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

SUMMARY

The report presents the Audit Planning Report from Deloitte LLP for the financial year 2019/20. The report will be presented by Deloitte LLP.

RECOMMENDATION

The committee is recommended to:

1. Consider and comment on the Deloitte LLP Audit Planning Report for 2019/20 which is attached to this covering report.

SUMMARY OF PREVIOUS DECISIONS

The Audit Plan is considered each year by the Audit and Standards Committee.

CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	
Working with all partners (Vibrant Economy)	
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

1. The attached report has been prepared by the Council's external auditors, Deloitte LLP. It summarises how they will deliver their audit work for Fylde Borough Council during the coming year. The report was prepared earlier in the year and was originally intended to be presented to the March meeting of this committee, that meeting having been cancelled due to the developing Covid-19 situation.
2. Deloitte will present the report to the meeting and provide an update on the current position.

IMPLICATIONS	
Finance	There are no financial implications arising directly from this report - the cost of external audit work can be met from existing budget provision.
Legal	No implications arising from this report
Community Safety	No implications arising from this report
Human Rights and Equalities	No implications arising from this report
Sustainability and Environmental Impact	No implications arising from this report
Health & Safety and Risk Management	No implications arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	July 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
N/A	N/A	N/A

Attached documents

Appendix 1 – Deloitte LLP Audit Planning Report for year ending 31st March 2020.



Planning report to the Audit and Standards Committee for
the year ending 31 March 2020

March 2020

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01 Planning report

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Director introduction

The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our planning report to the Audit and Standards Committee for the 2020 audit. We would like to draw your attention to the key messages of this paper:

Audit Plan

- We have begun planning for the 2020 audit.
- We are updating our understanding of the Council through discussion with management and review of relevant documentation from across the Council.
- Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

Key risks

- We have updated our view of the significant audit risks faced by the Council. This is based on our planning procedures performed to date and our findings from the 2019 audit. These are presented as a summary dashboard on page 11.

Regulatory framework

- Our audit is carried out under the Code of Audit Practice issued by the National Audit Office.
-

Paul Hewitson
Lead audit director

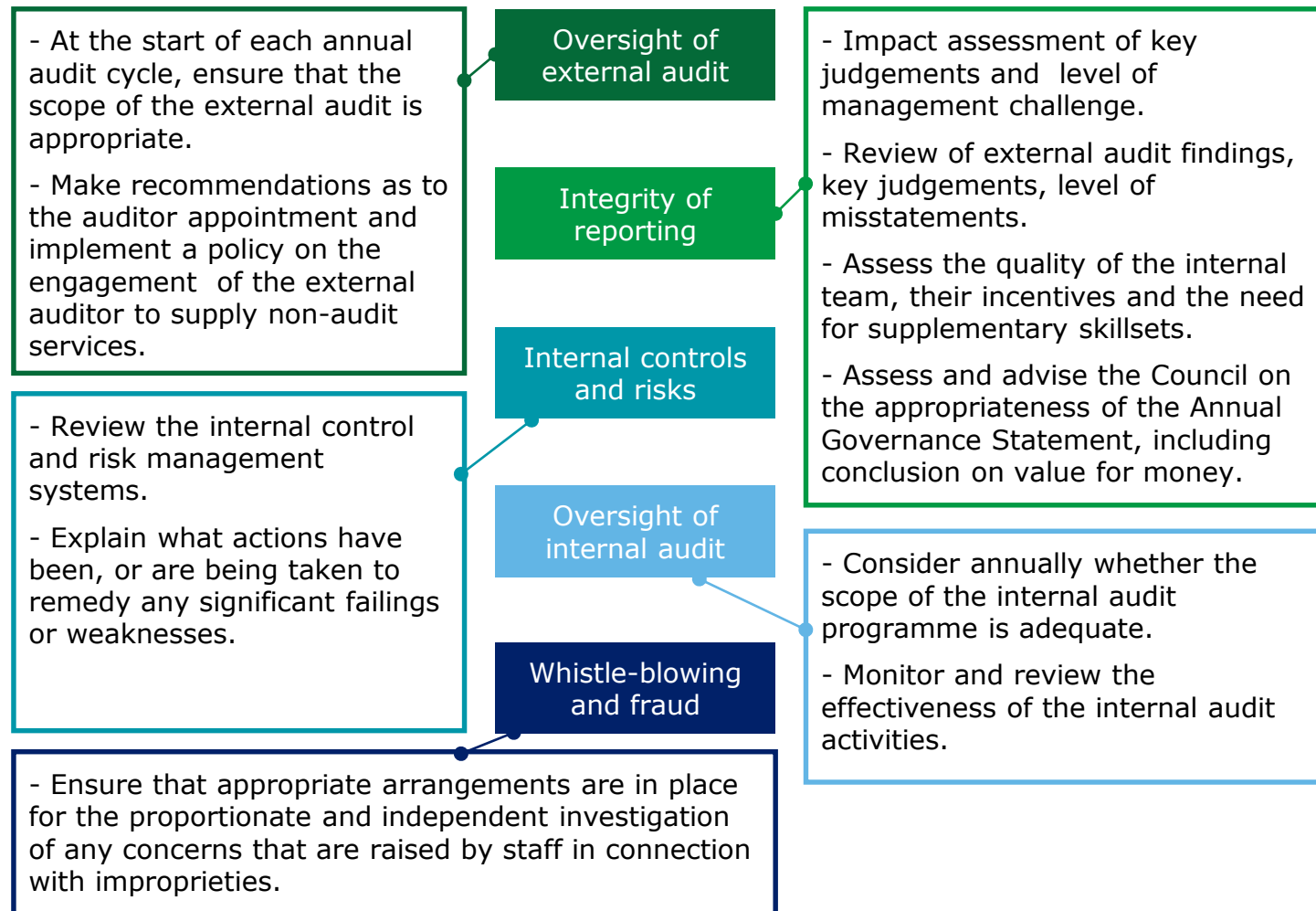
Responsibilities of the Audit and Standards Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit and Standards Committee?

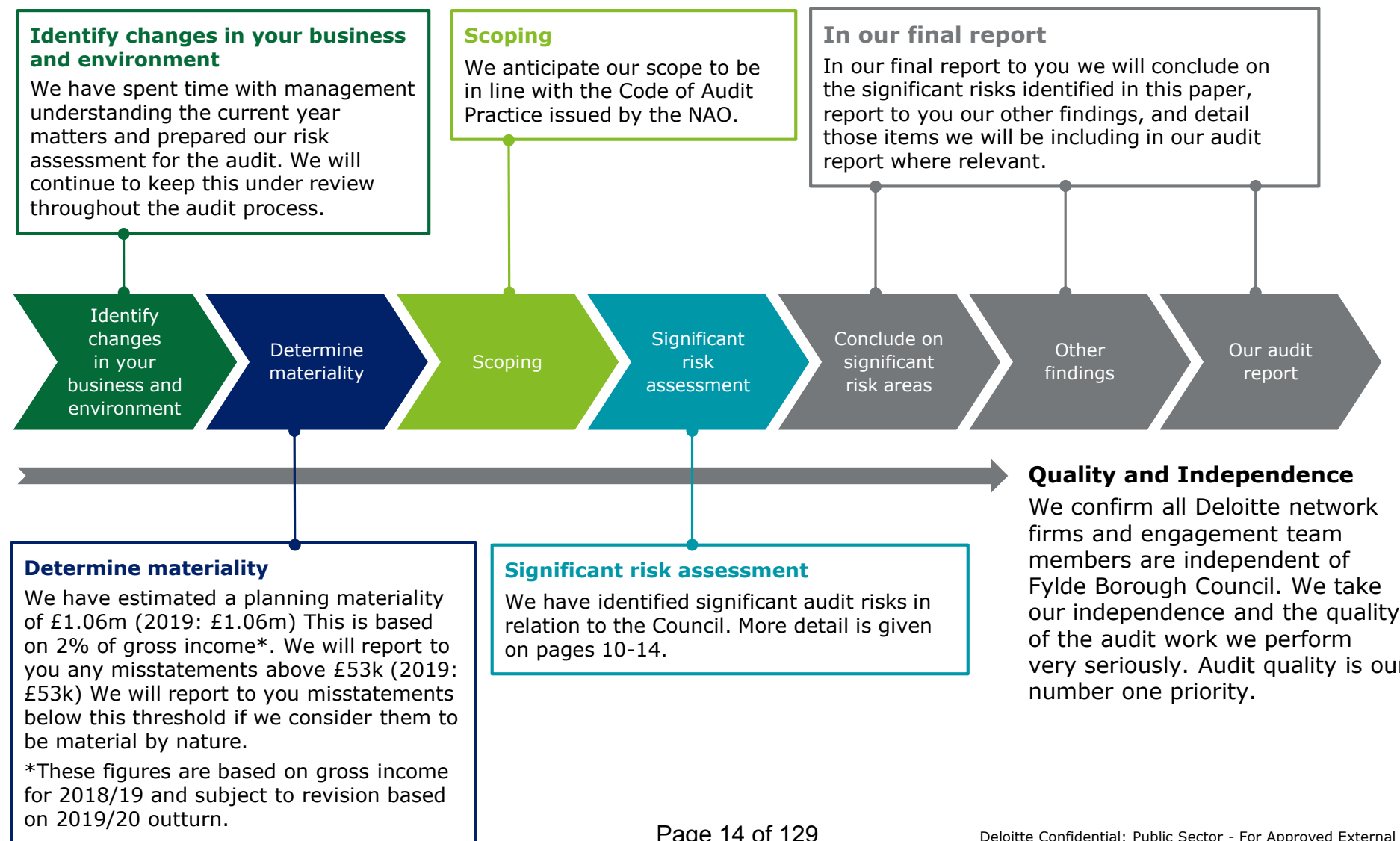


As a result of regulatory change in recent years, the role of the Audit and Standards Committee has significantly expanded. We set out here a summary of the core areas of Audit and Standards Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Standards Committee in fulfilling its remit.



Our audit explained

We tailor our audit to your council and your strategy



Scope of work and approach

We have three key areas of responsibility under the Audit Code

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA UK") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the NAO. The Council will prepare its accounts under the Code of Practice on Local Council Accounting ("the Code") issued by CIPFA.

We may be required to issue a separate assurance report to the NAO on the Authority's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts. We will update the Committee on this matter once NAO instructions are confirmed for the year.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and any other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

Our work therefore includes a detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focussed on any risks identified.

Business Case Preparation and evaluation of investment decisions– Following comments raised with us by members we are conducting enquiries into the Council's policies and procedures around business case preparation and investment decision making to determine whether there are any risks to VFM requiring further work in these areas.

Our risk assessment in these and all VFM areas remains ongoing although we have not yet identified any specific risks to the delivery of value for money. We did not identify any specific risks in the 2019 audit.

We then provide a conclusion on these arrangements as part of our final reporting to you, including confirmation of whether or not we identified any significant risks.

Scope of work and approach (continued)

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

Last year we held a pre-audit workshop with the finance team, and attended a financial statements workshop with the audit committee to answer questions on best accounting practice and audit approach. We intend to do both again ahead of this audit. We have had ongoing discussions with management throughout the year since the previous audit to discuss their actions in response to the findings we raised last year.

We recommend the Council complete the Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures, as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

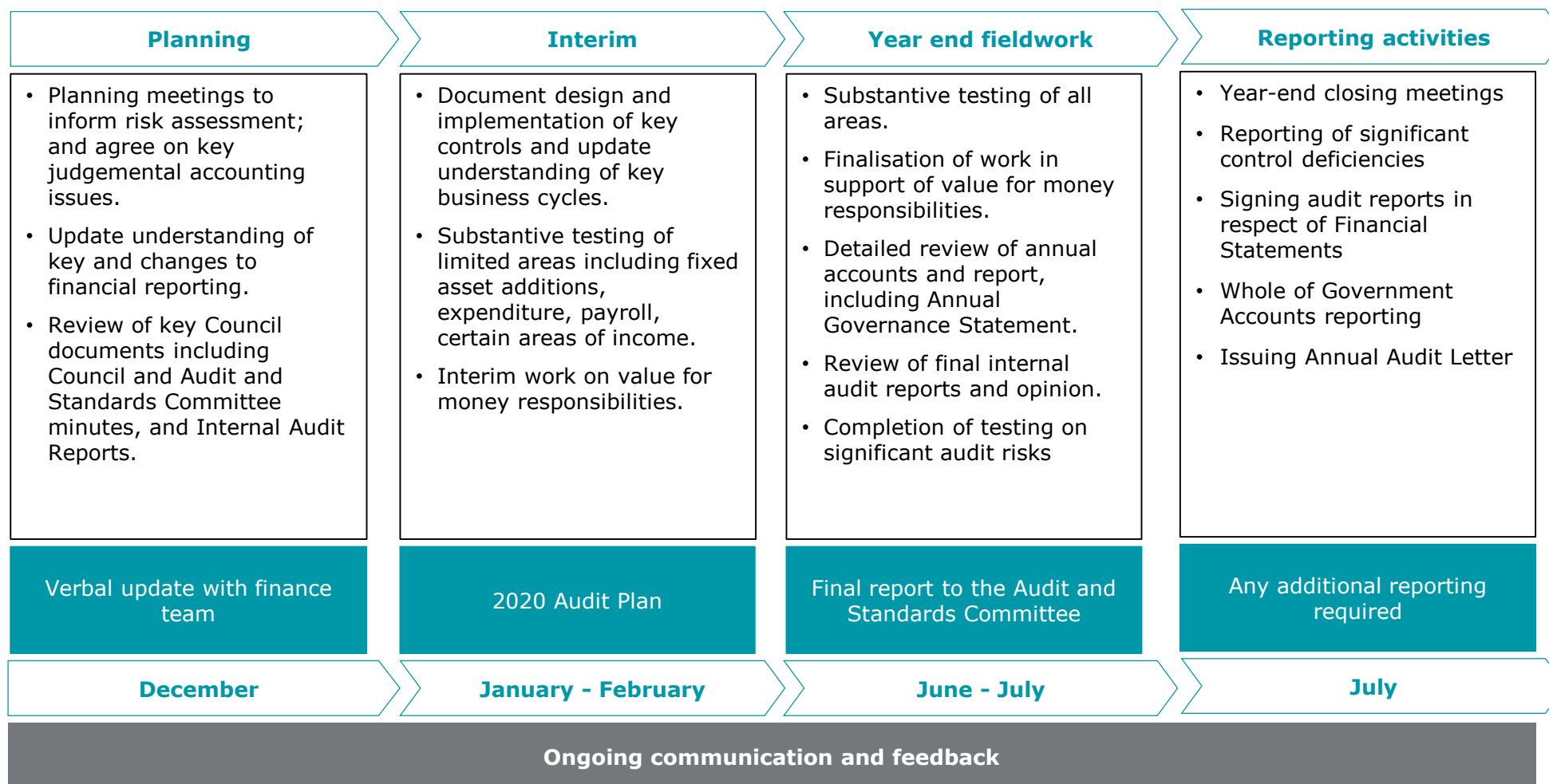
Value for Money and other reporting

The Code of Audit Practice requires us to report by exception in our audit report any matters that we identify that indicate the Council has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Materiality

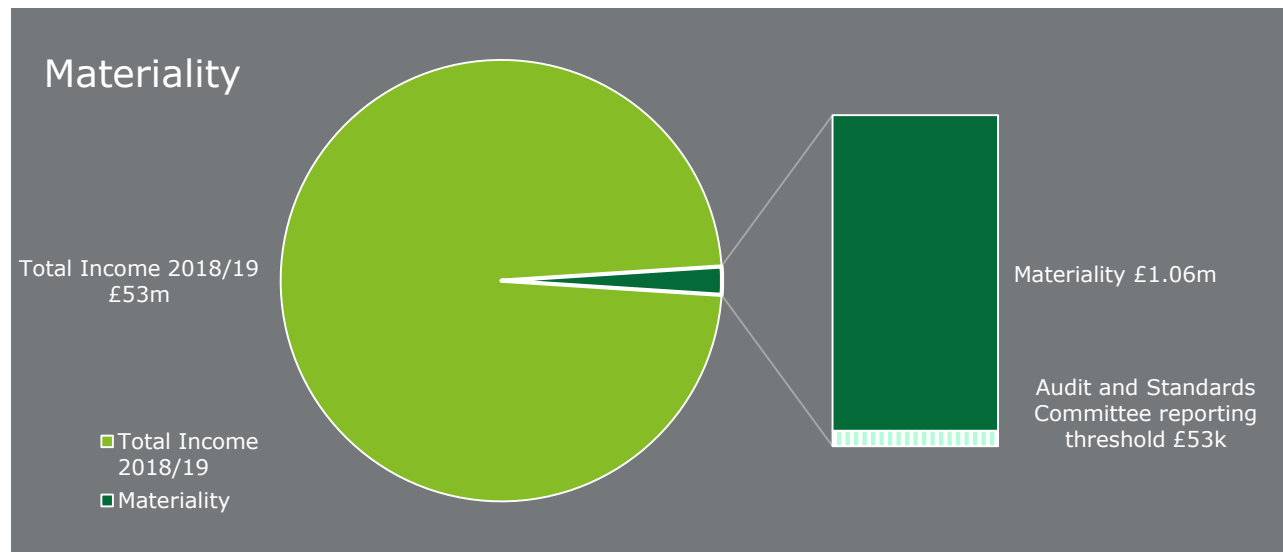
Our approach to materiality

Basis of our materiality benchmark

- The audit director has determined materiality as £1.1m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of Total Gross Income based on the 2018/19 audited accounts as the benchmark for determining materiality.
- We will re-visit the determined materiality based on completion of interim audit procedures. We will make a final assessment of materiality once the finalised year end figures are available.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £53k.
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit director, the Audit and Standards Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

Principal risk and uncertainties

- Property valuations
- Fair value measurement
- Project management
- Future funding

Changes in your business and environment

Election Year – Two elections have occurred in the financial year (local elections in May 2019 and general election in December 2019) which may impact the future direction and funding of the council.

IAS 1 Critical accounting estimates

- Pension liabilities
- Lancashire business rates pool
- Provision for NNDR appeals













NAO – Auditor Guidance Note 06

The National Audit Office identified changes to the accounting code, going concern, and transitional protection for certain pension scheme members (GMP and McCloud), as key issues in their Local Government Audit Planning guidance issued January 2020 which are relevant to Fylde. We reviewed the approach being taken by the Council in response to these in the prior year audit and will refresh our understanding for the current year. We do not believe any of these matters represent a significant audit risk.

The next page summarises the significant risks that we will focus on during our audit.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Slide no.
Completeness and cut off of service line expenditure					12
Property valuations					13
Management override of controls					14

Controls approach adopted

 Assess design & implementation

Significant risks (continued)

Risk 1 – Completeness and cut-off of service line expenditure

Risk identified

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness and cut-off of service line expenditure. We identify this as expenditure excluding payroll costs, depreciation and amortisation and expenditure which is grant backed (such as Housing Benefit expenditure).

There is an inherent fraud risk associated with the recording of expenditure in order for the Council to report a more favourable year-end position.

There is a risk that the Council may materially misstate expenditure through manipulating the year end position in order to report a more favourable outturn.

Our response

Our work in this area will include the following:

We will obtain an understanding of the design and implementation of the key controls in place in relation to recording completeness and cut-off of service line expenditure (excluding payroll, depreciation and amortisation, and expenditure which is grant backed);

We will perform focused testing in relation to the completeness and cut-off of service line expenditure (excluding the areas set out above); and

We will review and challenge the assumptions made in relation to year-end estimates and judgements to assess completeness and accuracy of recorded service line expenditure.

Significant risks (continued)

Risk 2 – Property Valuation

Risk identified

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

There is therefore a risk that the value of property assets materially differ from the year end fair value.

The Council held £33m of Property, Plant and Equipment (PPE) at 31 March 2019. Revaluation adjustments in 2019 totalled a downward revaluation of £427k. Our testing of the more complex valuations undertaken in 2019 identified a material error in the balances presented for audit. The revaluation of £427k reflected in the financial statements is stated after correcting for the issues identified which totalled £2.4m.

Our response

We will test the design and implementation of key controls in place around the property valuation, and how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;

We will assess the Council's response to the findings raised in the 2019 audit;

We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;

We will review the approach used by the Authority to assess the risk that assets not subject to revaluation are materially misstated;

We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions on its assets values between April 2019 and Year end; and

We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Significant risks (continued)

Risk 3 – Management override of controls

Risk identified

In accordance with ISA 240 (UK and Ireland) management override of controls is a significant risk for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness and cut-off of service line expenditure and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

We will test the design and implementation of key controls in place around journal entries and key management estimates;

We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;

We will review accounting estimates for biases that could result in material misstatements due to fraud; and

We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Insights and recommendations

Update on insights raised in the previous audit

We have had regular discussion with Management since the conclusion of the 2019 audit regarding the insights raised in that audit. We provide an update to the Audit and Standards Committee on these insights. These were first reported to the Committee in our ISA260 letter issued July 2019:

	2019 Deloitte observation and recommendation	2019 Management response, responsible officer, and deadline	2020 update
Methodology and evidence based property valuations	We noted during our work on valuations in 2019 that there were areas where valuations were not fully in line with RICS methodology and lacked rigorous workings and evidence base to support the valuation figures. We recommended the Council ensured future valuations where done in sufficient detail.	We will review the approach to performing valuations to ensure that going forward valuations provide sufficient detail to meet RICS standards. Head of Technical Services / Oct 2019	The Council have established an Asset Valuation Team to manage the valuation process, and an Asset Valuation Strategy summarising the approach to the valuation of assets. For 2020, Fylde have engaged a third party firm to perform their asset valuations. The recommendations arising in 2019 have been discussed with the third party firm, and to date, we have reviewed the draft Service Level Agreement with the valuation firm.
Review of property valuations	Property valuations performed by a RICS qualified in-house valuer were not subject to by a second qualified valuer. We recommended property valuations were reviewed by qualified valuers to help ensure valuations are prepared in line with RICS guidance.	We will implement processes whereby property valuations are subject to review by a second qualified valuer. Head of Technical Services / Dec 2019	Valuations are now performed by a third party firm. Completed valuations are being reviewed by Fylde's in-house, qualified valuer to ensure independent review of the work performed and to ensure considerations specific to the local property market are considered.
Use of external property valuation experts	For complex asset valuation models, use of third party valuer in the process of the 2019 audit revealed a material difference in the valuation of one asset. We recommended for such assets (of which Fylde had two in 2019), to use external valuers going forward. Alternatively the Council could consider revaluing a sample of their assets by an external expert each year to benchmark the work of the internal valuer.	We will review the approach to performing valuations and consider the use of external experts for this exercise going forward. Head of Technical Services / Oct 2019	As above, the Council is engaging external valuers to carry out the annual cycle of asset valuations.

Insights and recommendations

Update on insights raised in the previous audit (continued)

	2019 Deloitte observation and recommendation	2019 Management response, responsible officer, and deadline	2020 update
Consideration of the value of assets not subject to formal revaluation in the year.	The Council revalues operational land and buildings on a five year rolling cycle. They are required to consider the valuation of assets not subject to revaluation in the year. We understand there is not a formal process by which this is done. We recommended the Council implements processes whereby the valuation of assets not revalued in the year are considered.	We will implement processes whereby the valuation of assets not revalued in the year are considered. Head of Technical Services / Chief Financial Officer / Oct 2019	The Authority has formalised and documented the process whereby the valuation of assets not revalued in the year are considered within the Asset Valuation Strategy. The Service Level Agreement with the external valuer requires that an appropriate review will be performed. We will review the output of this process and review during the audit.
Review of revaluation accounting entries	The finance department has a review process in place around the review of fixed asset accounting entries however it failed to prevent one (immaterial) misstatement. We recommended the client therefore makes the required changes in 2019/20, including corrections to the revaluation reserve. The finance department should ensure review-type controls are sufficiently detailed to identify such errors going forward.	We will make the required changes in 2019/20 and ensure review-type controls are sufficiently detailed to ensure fixed asset accounting entries are accurate going forward. Chief Financial Officer / Nov 2019	Fixed asset accounting entries have been reviewed to ensure they are accurate going forward. We will verify that this has been implemented for the key accounting entries made at year end.
IT environment	Our IT specialists identified observations regarding the IT system which we have communicated to management, covering areas such as IT security, privileged access accounts, data leakage and disaster recovery, and controls around shared IT environments with Blackpool Council. We recommend the Council reviews its IT systems and policies and consider whether they are satisfied with the safety and security of the IT environment.	We will review the observations identified by the IT specialists and implement any resultant actions in order to ensure satisfaction with the safety and security of the IT environment. ICT Manager / Dec 2019	The Authority has reviewed the observations made relating to the IT environment and has implemented actions as appropriate. We have not verified the implementation of these actions as the issues raised are minor and do not impact on our planned audit approach.

Insights and recommendations

Update on insights raised in the previous audit (continued)

	2019 Deloitte observation and recommendation	2019 Management response, responsible officer, and deadline	2020 update
Risk identification and management	<p>The Council has good processes in place to identify strategic risks on an annual basis. We noted however that there is an absence of operational risk monitoring. Post 2019 year end, we noted that an operation risk system, "GRACE", was introduced and will be rolled out over an 18 month period.</p> <p>We recommended Fylde ensures "GRACE" is fully implemented and changes bedded into the Council. The Council should review the effectiveness of the risk management system at the end of the implementation period.</p>	<p>We will ensure that the new "GRACE" system of monitoring operation risk is fully implemented, and we will carry out a post-implementation review.</p> <p>Director of Resources / Nov 2020</p>	<p>The GRACE risk management system has been implemented as the Council's approach to the management of risk.</p>
Physical verification of fixed assets	<p>Physical verification of assets owned by the council is done on an ad-hoc, service led basis without a formal process.</p> <p>There should be a formal, periodic physical verification and inspection which is conducted independently of the service areas.</p>	<p>We will implement a process whereby physical verification of assets is formalised.</p> <p>Management Team / Mar 2020</p>	<p>The Corporate Team now carry out physical verification and inspection of assets, and this process is documented.</p> <p>We have reviewed the new process as documented and are satisfied with its design.</p>
Fully depreciated assets	<p>We noted a high value of fully depreciated assets: assets with a material gross book value are fully depreciated at year end and have nil net book value.</p> <p>We recommended Fylde reviews its depreciation policy to ensure it is an accurate reflection of the lives of assets, and check whether the fully depreciated assets are still owned or in use by the Council.</p>	<p>We will review the depreciation policy to ensure it is an accurate reflection of the useful economic lives of assets and remove any unused assets from the accounts.</p> <p>Chief Financial Officer / Oct 2019</p>	<p>An analysis of the fully depreciated assets has been produced and reviewed by the Council. The existence and continued use of the assets will be verified through the program of asset verification noted above.</p>

Insights and recommendations

Update on insights raised in the previous audit (continued)

	2019 Deloitte observation and recommendation	2019 Management response, responsible officer, and deadline	2020 update
NNDR appeals provisioning	<p>The NNDR appeals provision is largely calculated by a third party organisation. Fylde make some changes to certain areas of the provision where their local knowledge allows them to, on an ad hoc basis. There was not a formal process for reviewing the appropriateness of the third party calculations.</p> <p>We recommended the Councils formalises its process for considering the appropriateness of the third party provision calculation, and extends the analysis performed to challenge the third party's figures in doing so.</p>	<p>We will review the process for considering the appropriateness of the third party calculations for the NNDR appeals provision.</p> <p>Chief Financial Officer / Mar 2020</p>	<p>The Council have reviewed and documented the process for considering the appropriateness of the third party calculations for the NNDR appeals provision.</p> <p>Deloitte will review the appeals process and calculation at year end, as part of the main audit work.</p>

Maintaining audit quality

Responding to challenges in the current audit market

This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

The role of audit

- Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability)
- Deloitte fully supports an independent review into the role of auditors
- The Government's Brydon Review will consider UK audit standards and how audits should evolve

Would it be better to have audit only firms?

- Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit.
- Our investment in audit innovation, training and technology is greater because of the multidisciplinary model

Is the current audit market uncompetitive?

- We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholders
- There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering
- The audit profession has engaged with the Competition and Markets Authority with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies

Independence and conflicts from other services

- Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clients
- Deloitte invests heavily in systems, processes and people to check for potential conflicts
- We have governance in place to assess any areas of potential conflict, including where required to protect the public interest
- Fees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)

Deloitte

- Deloitte and Audit Service Line leadership are happy to meet the Board and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interest
- Our Impact Report and Transparency Report are available on our website <https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html>
- Our response to the latest AQR report is on slide in appendix 3

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

Newcastle | March 2020

Appendix 1: Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in completeness and cut-off of service line expenditure, and management override of controls as key audit risks for your organisation.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 1: Fraud responsibilities and representations (continued)

Inquiries

We will make the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.



Internal audit:

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance:

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Appendix 2: Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit and Standards Committee for the year ending 31 March 2020 in our final report to the Audit and Standards Committee.
Fees	<p>There are no non-audit fees other than the £10.5k Housing Benefit work.</p> <p>Public Sector Audit Appointments have in January 2020 launched a consultation on the level of audit fees payable in respect of 2020/21. Within the consultation PSAA highlight the additional audit requirements associated with, amongst other things;</p> <ul style="list-style-type: none">• the revisions to the Code of Audit Practice in respect Value for Money,• the introduction of IFRS 16 (leases),• and the introduction is ISA540 (auditing accounting estimates and related disclosures). <p>It is expected that these changes will significantly increase the level of work required to be undertaken by the auditor and as such we anticipate that audit fees will need to increase from 2020/21 onwards.</p>
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Appendix 2: Independence and fees (continued)

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2020 are as follows:

	2019/20 £	2018/19 £
Financial statement audit including Whole of Government Accounts reporting submission and procedures in respect of Value for Money risk assessment	36,729	36,729
Additional fee in relation to audit of Property Valuations	-	5,000
Total audit	36,729	41,729
Audit related assurance services	10,500	10,500
Total assurance services	10,500	10,500
Total fees	47,229	52,229

Appendix 3: Our approach to quality

AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our Audit Quality Monitoring and Measuring programme. In July 2019 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2018/19 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality. We have further transformed our internal review processes including a new focus for reviewing in progress audits, developing our Audit Quality Indicators ('AQI') which are monitored and reported to the firm's executive, and on enhanced remediation procedures.

Whilst we are pleased that overall our quality record, as measured by external inspections, has improved from 76% to 84%, we remain committed to continuous improvement and achieving as a minimum the 90% benchmark across all engagements. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions. We are also pleased to see the impact of our previous actions on impairment, group audits and contingent liability disclosures reflected in the audits under review and there being limited or no findings in those areas. These continue to be a focus in our training, internal coaching and internal review programmes.

We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.
<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR's 2018/19 Audit Quality Inspection Report on Deloitte LLP

"We assessed 84% of the firm's audits that we reviewed as requiring no more than limited improvements, compared with 76% in 2017/18. Of the FTSE 350 audits we reviewed this year, we assessed 75% as achieving this standard compared with 79% in 2017/18. We note that our inspection results show only modest improvements in audit quality."

"We had no significant findings arising from our firm-wide work on internal quality monitoring, engagement quality control reviews and independence and ethics."

"Our key individual review findings related principally to the need to:

- Exercise greater professional scepticism in the audit of potential prior year adjustments and related disclosures in the annual report and accounts.
- Strengthen the extent of challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing.
- Improve the consistency of the quality of the firm's audit of revenue.
- Achieve greater consistency in the audit of provisions and liabilities."

"The firm has enhanced its policies and procedures during the year in a number of areas, including the following:

- Through the firm's global audit quality programmes, there has been an increased focus on consistency of audit work across the audit practice. For certain account balances, standardised approaches have been adopted, further use has been made of centres of excellence and delivery centres and new technologies embedded into the audit process to support and enable risk assessments, analytical procedures and project management activities.
- Further methodology updates and additional guidance and training for the audit practice covering group audits, accounting estimates, financial services (including the adoption of IFRS 9) provisions and contingencies and the evidencing of quality control procedures (including EQCR) on individual audits.
- Increased support for audit teams throughout the audit cycle including coaching programmes for teams and greater use of diagnostics to monitor progress.
- Continued focus on the approach to the testing of internal controls. The firm provided additional training and support to audit teams adopting a controls-based audit approach, increased focus on reporting to Audit Committees on internal controls and on the wording of auditor's reports."



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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	7
REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT			

PUBLIC ITEM

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

SUMMARY

This report relates to the results of the self-assessment as a means of assessing the effectiveness of Internal Audit.

RECOMMENDATIONS

That the Committee notes the results of the self-assessment as part of the Audit and Standards Committee's consideration of the system of internal control.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	✓
Working with all partners (Vibrant Economy)	✓
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	✓
Promoting Fylde as a great destination to visit (A Great Place to Visit)	✓

BACKGROUND

1. The Accounts and Audit (England) Regulations 2015 requires the relevant body, at least once in each year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind the review is to ensure that the opinion in the annual report by the Head of Audit can be relied upon as a key source of evidence in the Annual Governance Statement
2. With effect from 1 April 2013, the Code of Practice for Internal Audit in Local Government in England and Wales was replaced by the Public Sector Internal Audit Standards (PSIAS). These standards are applicable to the whole of the public sector, although a Local Government Application Note (LGAN) was produced by CIPFA in collaboration with the Chartered Institute of Internal Auditors as a sector specific requirement within the PSIAS framework. The LGAN was re-issued in 2019.

3. One of the Attribute Standards refers to a Quality Assurance and Improvement Programme (QAIP) which must comprise both internal and external assessments. Internal assessments are both ongoing and periodic, whilst an external assessment must be undertaken at least once every five years.
4. The LGAN states that if the periodic assessment is in the form of a self-assessment, the checklist contained within the guidance should be used for assessing conformance as it covers both the PSIAS and the LGAN

ASSESSMENT

5. In order to meet the requirements of the Accounts and Audit Regulations a self-assessment has been carried out by the Head of Audit using the checklist contained within the revised LGAN. This assessment was presented to the Corporate Governance Group and was challenged. They concluded that the section is effectively demonstrating compliance with the Standards and there is no evidence of non-conformance. The updated checklist is attached at **Appendix A**.
6. Two improvements for the Internal Audit Service have been identified and are in progress. Details of these are included within the Internal Audit Annual Report.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
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	CONTACT DETAILS	DATE
Dawn Highton	Dawn.highton@fylde.gov.uk Tel 01253 658413	July 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Local Government Application Note	2019	Internal Audit Office, Town Hall

Attached documents

Appendix A – Self Assessment –June 2020

Questions to consider			Evidence / comments
1 Mission of Internal Audit			
Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the			Arrangements set out within Internal Audit Charter – approved by Audit and Standards Committee March 2019.
<i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2 Definition of Internal Auditing			
Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?			Arrangements set out within Internal Audit Charter – approved by Audit and Standards Committee March 2019.
CONFORMS	PARTIAL	NOT CONFORMING	
Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?			Internal Audit Manual and associated procedures. Previous self-assessments and external review.
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
3 Core Principles			
The Core Principles, taken as a whole, articulate internal audit effectiveness, and provide a basis for considering whether the review of conformance with the attribute standards and performance standards reflects full conformance, partial conformance or non-conformance with the PSIAS and the Local Government Application Note. In making this assessment, the assessor should have regard to positive evidence of conformance or non-conformance and the lack of evidence of non-conformance where positive evidence is difficult to obtain.			
Where there are instances of partial conformance or non-conformance in particular areas, you may need to make a judgment having regard to materiality and other factors in order to form a view on whether the internal audit activity conforms with a particular Core Principle. Any such judgments should be highlighted and explained.			
Demonstrates integrity.			All members of IA team are IIA qualified or are studying towards the qualification and therefore comply with IPPF and the Code of Ethics (IIA-UK) https://www.iaa.org.uk/resources/ippf/code-of-ethics/
Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Demonstrates competence and due professional care.			All IA team IIA qualified or studying towards the qualification. Specialist skills procured when required (ICT) Experienced Audit Team
Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?			
CONFORMS	PARTIAL	NOT CONFORMING	
Is objective and free from undue influence (independent).			Arrangements set out within Internal Audit Charter – approved by Audit and Standards Committee March 2019.
Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?			
CONFORMS	PARTIAL	NOT CONFORMING	
Aligns with the strategies, objectives, and risks of the organisation.			Risk assessment based upon current risks and objectives of the organisation / service. Internal Audit Plan – reviewed on a 6 monthly basis to ensure it remains current and aligned with objectives
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?			
CONFORMS	PARTIAL	NOT CONFORMING	
Is appropriately positioned and adequately resourced.			Benchmarking confirms adequately resourced. Organisational structure
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?			
CONFORMS	PARTIAL	NOT CONFORMING	
Demonstrates quality and continuous improvement.			Quality Assurance and Improvement Programme Results of internal self-assessment and external peer review Feedback from Satisfaction Survey
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?			
CONFORMS	PARTIAL	NOT CONFORMING	
Communicates effectively.			Internal Audit Charter – reporting arrangements.
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Provides risk-based assurance.			Annual risk assessment to inform annual plan. Individual reviews based on risks contained within GRACE
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?			
CONFORMS	PARTIAL	NOT CONFORMING	
Is insightful, proactive, and future-focused.			Internal Audit involvement with project teams providing proactive advice and guidance on risk, governance and control. New and emerging risks considered during the risk assessment and within each individual audit.
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?			
CONFORMS	PARTIAL	NOT CONFORMING	
Promotes organisational improvement.			CAE involvement with Corporate Governance Group Implementation of operational risk registers through the use of GRACE Review and update of annual Governance Assurance Statements
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
4 Code of Ethics			
Integrity			Quality Control process (QAIP) Satisfaction surveys Audit Charter – responsibilities Signed Declaration of interests Code of Conduct.
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:			
<ul style="list-style-type: none">■ Performing their work with honesty, diligence and responsibility?■ Observing the law and making disclosures expected by the law and the profession?■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation?■ Respecting and contributing to the legitimate and ethical objectives of the organisation?			
CONFORMS	PARTIAL	NOT CONFORMING	
Objectivity			

Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by: ■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? ■ Not accepting anything that may impair or be presumed to impair their professional judgement? ■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?			Internal Audit Charter Signed Declaration of interest Professional Codes of Ethics
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Confidentiality			Internal Audit Charter Procedure Manual Quality Control (QIAP) Professional Code of Ethics
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:			
<ul style="list-style-type: none">■ Acting prudently when using information acquired in the course of their duties and protecting that information?■ Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?			
CONFORMS	PARTIAL	NOT CONFORMING	
Competency			All IA team IIA qualified or studying towards the qualification. Specialist skills procured when required (ICT) Experienced Audit Team CPD undertaken
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:			
<ul style="list-style-type: none">■ Only carrying out services for which they have the necessary knowledge, skills and experience?■ Performing services in accordance with the PSIAS?■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?			
CONFORMS	PARTIAL	NOT CONFORMING	
Seven Principles of Public Life			All members of IA team are IIA qualified or studying towards the qualification and therefore comply with IPFF Annual declarations of interest Internal Audit Charter Code of conduct
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life’s <i>Seven Principles of Public Life</i> ?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Standards			
5 Attribute Standards			
5.1 1000 Purpose, Authority and Responsibility			
The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.			
Does the internal audit charter conform with the PSIAS by including a formal definition of: <ul style="list-style-type: none">the purposethe authority, andthe responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?			Internal Audit Charter includes relevant sections on purpose, authority and responsibility consistent with PSIAS
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>			Internal Audit Charter 3.3 Board / Senior Management definition
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> ■ Set out the internal audit activity's position within the organisation? ■ Establish the chief audit executive's (CAE) functional reporting relationship with the board? ■ Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager. ■ Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit? ■ Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? ■ Define the scope of internal audit activities? ■ Recognise that internal audit's remit extends to the entire control environment of the organisation? ■ Establish the organisational independence of internal audit? ■ Cover the arrangements for appropriate resourcing? ■ Define the role of internal audit in any fraud-related work? ■ Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety? ■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities? ■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation? ■ Define the nature of consulting services? ■ Recognise the mandatory nature of the PSIAS? 			<p>Internal Audit Charter</p> <p>Position</p> <p>Board reporting</p> <p>Reporting administratively</p> <p>Roles</p> <p>Access</p> <p>Scope</p> <p>Activities</p> <p>Independence</p> <p>Resourcing Fraud</p> <p>Anti Fraud & Corruption</p> <p>Impairment</p> <p>Assurance</p> <p>Consultancy</p> <p>PSIAS</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			Reviewed Feb 2019 and presented to senior managers and Audit and Standards Committee Senior Manager email Audit and Standards Committee March 19 minutes
CONFORMS	PARTIAL	NOT CONFORMING	
5.2 1100 Independence and Objectivity			
The questions in this section seek to confirm that the internal audit activity is independent and internal auditors are objective in performing their work.			
Does the CAE have direct and unrestricted access to senior management and the board?			Internal Audit Charter
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?			Internal Audit Charter
CONFORMS	PARTIAL	NOT CONFORMING	
Does the CAE attend audit committee meetings?			https://fylde.cmis.uk.com/fylde/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/23/Default.aspx
Does the CAE contribute to audit committee agendas?			
CONFORMS	PARTIAL	NOT CONFORMING	
Are threats to objectivity identified and managed at the following levels:			IA Declaration of Interests Form 2018-19 - Jacqui Murray.doc As above and through discussions with CAE Internal Audit charter Code of conduct
■ Individual auditor?			
■ Engagement?			
■ Functional?			
■ Organisation?			
CONFORMS	PARTIAL	NOT CONFORMING	
1110 Organisational Independence			
This subsection seeks to confirm that reporting and management arrangements been put in place that preserve the CAE's independence and objectivity.			
This is of particular importance when the CAE is line-managed by another officer of the authority.			
Does the CAE report to an organisational level equal or higher to the corporate management team?			CAE reports to Head of Governance who is a member of Management Team
Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?			Internal Audit Charter / All reports issued to Directors Audit Engagement Plan - Circulation
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Does the CAE’s position in the management structure: <ul style="list-style-type: none">■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?			Audit Plan reported to and approved by Audit and Standards Committee March 19 minutes.pdf . 2020/21 plan to be agreed at next ASC meeting All final reports and action plans agreed and issued to Directors.
CONFORMS	PARTIAL	NOT CONFORMING	
Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?			Annual Audit Report (2019/20 to be reported at next ASC meeting)
CONFORMS	PARTIAL	NOT CONFORMING	
Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?			
The ‘Interpretation’ to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board: <ul style="list-style-type: none">■ approves the internal audit charter■ approves the risk-based audit plan■ approves the internal audit budget and resource plan			March 19 minutes.pdf Resource plan agreed by Board (Audit Committee) implicitly as part of Audit Plan https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1016/Committee/23/Default.aspx
■ receives communications from the CAE on the activity’s performance (in relation to the plan, for example)			Reported for information only https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1088/Committee/23/Default.aspx
■ approves decisions relating to the appointment and removal of the CAE			N/A – subject to Job Evaluation
■ approves the remuneration of the CAE			
■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.			Able to discuss at the time of approval of the annual audit plan

<p>The Public Sector Interpretation to PSIAS 1110 notes that board approval of CAE remuneration does not generally happen in the UK public sector, and that the underlying principle is therefore that the independence of the CAE must be safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit.</p> <p>EQA assessors should therefore consider whether adequate steps are taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit. This might for example reflect some involvement of the chief executive in the performance assessment process or feedback from the audit committee chair.</p>			
CONFORMS	PARTIAL	NOT CONFORMING	
1111 Direct Interaction with the Board			
Does the CAE communicate and interact directly with the board?			Internal Audit Charter - Board Reporting At Audit and Standards Committee meetings Ad-hoc meetings Briefings with Chairman and Vice Chairman of ASC
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
1112 Chief Audit Executive Roles Beyond Internal Auditing			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			Not applicable currently, however adequate safeguards are being discussed in relation to CAE taking on additional Risk Management responsibilities
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT CONFORMING	
1120 Individual Objectivity			
Do internal auditors have an impartial, unbiased attitude?			Internal Audit Charter CAE review of working papers Satisfaction survey at end of each audit would likely indicate any difficulties
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			Signed Declaration of Interests Ongoing discussions between Auditors and CAE
CONFORMS	PARTIAL	NOT CONFORMING	
1130 Impairment to Independence or Objectivity			
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?			Staff are established auditors and have had no operational responsibilities previously
CONFORMS	PARTIAL	NOT CONFORMING	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?			CAE does not currently have any operational responsibilities
CONFORMS	PARTIAL	NOT CONFORMING	
Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?			Work allocated based on skills, knowledge and experience of audit team, where possible and practicable responsibilities and assurance engagements are periodically rotated.
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors declared interests in accordance with organisational requirements?			Declaration of interests 20/21
CONFORMS	PARTIAL	NOT CONFORMING	
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?			None offered or accepted. Online declaration process available.
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?			None
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?			Declaration of Interests signed by auditors, Code of Ethics
CONFORMS	PARTIAL	NOT CONFORMING	
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?			No impairment
CONFORMS	PARTIAL	NOT CONFORMING	
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?			Any significant changes to the approved audit plan would be reported to the Audit & Standards Committee for approval.
CONFORMS	PARTIAL	NOT CONFORMING	
5.3 1200 Proficiency and Due Professional Care			
This section seeks to confirm that engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the CAE and their staff, and how they exercise their capability in practice.			
1210 Proficiency			
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?			CMIIA 7 years Head of Audit experience
Is the CAE suitably experienced?			
CONFORMS	PARTIAL	NOT CONFORMING	
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation’s human resources processes?			HIA fully responsible for recruitment. Up to date Job Descriptions Auditor
Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?			
CONFORMS	PARTIAL	NOT CONFORMING	
Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?			Through in-house, external training courses, networking. Specialist skills for ICT audit bought in.
Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?			All auditors sufficiently experienced. Internal Audit procedures clearly specify the need to consider fraud risks. Fraud awareness training recently undertaken by all members of IA team
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of key information technology risks and controls?			Staff have a general knowledge. Specialist ICT service is bought in for specific audits.
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?			Internal audit co-operates with Blackpool Council in the use of data analysis to focus assurance testing work in relation to shared financial systems.
CONFORMS	PARTIAL	NOT CONFORMING	
1220 Due Professional Care			
Do internal auditors exercise due professional care by considering the:			
<ul style="list-style-type: none"> ■ Extent of work needed to achieve the engagement's objectives? ■ Relative complexity, materiality or significance of matters to which assurance procedures are applied? ■ Adequacy and effectiveness of governance, risk management and control processes? ■ Probability of significant errors, fraud, or non-compliance? ■ Cost of assurance in relation to potential benefits? <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p>			<p>Discuss and agree scope with auditee – Engagement Plan includes objectives and scope of review.</p> <p>Risks included within risk registers. All Red and amber risks to be reviewed and tested, If auditor unclear would discuss with Head of Audit</p> <p>Through audit work i.e. reviewing risks and the effectiveness of the mitigations/controls</p> <p>Through core audit work i.e. reviewing risks and the effectiveness of the mitigations</p> <p>All management actions considered for the practicality of implementation and discussed with auditee prior to agreement</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Do internal auditors exercise due professional care during a consulting engagement by considering the: <ul style="list-style-type: none"> ■ Needs and expectations of clients, including the nature, timing and communication of engagement results? ■ Relative complexity and extent of work needed to achieve the engagement's objectives? ■ Cost of the consulting engagement in relation to potential benefits? 			As above Any client concerns would be highlighted in satisfaction surveys
CONFORMS	PARTIAL	NOT CONFORMING	
1230 Continuing Professional Development			
Has the CAE defined the skills and competencies for each level of auditor? and Does the CAE periodically assess individual auditors against the predetermined skills and competencies?			Job Description/ Personnel Specification for both CAE / Senior Auditor and Auditor Appraisals undertaken annually. Regular 1-1 discussions are held with each Auditor to discuss performance / progress against reviews etc
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Do internal auditors undertake a programme of continuing professional development?			Work and training helps to ensure requirements for CPD are met.
and			
Do internal auditors maintain a record of their professional development and training activities?			
CONFORMS	PARTIAL	NOT CONFORMING	
5.4 1300 Quality Assurance and Improvement Programme			
The questions in this section seek to confirm that the CAE has developed and maintained a Quality Assurance and Improvement Programme (QAIP) through which conformance with the PSIAS can be and is properly assessed.			
Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?			Quality Assurance and Improvement Programme (QAIP) in place including performance indicators and quality control of audit work. Review of effectiveness of service challenged annually by CGG via PSIAS
Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?			
Does the CAE maintain the QAIP?			
Are any statutory requirements for review of the internal audit activity satisfied?			
CONFORMS	PARTIAL	NOT CONFORMING	
1310 Requirements of the Quality Assurance and Improvement Programme			
Does the QAIP include both internal and external assessments?			Specified in the QAIP .
CONFORMS	PARTIAL	NOT CONFORMING	
1311 Internal Assessments			
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?			Work is allocated to auditors based on previous knowledge of review, any involvement within a project team and experience. Reviews allocated on a quarterly basis and monitored through regular discussions with individual auditors
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal assessments include ongoing monitoring of the internal audit activity, such as:			Performed by CAE as part of each audit assignment PSIAS checklist used for Annual Review of Effectiveness of IA
<div><div></div> Routine quality monitoring processes?</div> <div><div></div> Periodic assessments for evaluating conformance with the PSIAS?</div>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? ■ Does ongoing performance monitoring include obtaining stakeholder feedback? 			<p>Targets approved by Audit and Standards Committee March 2019 March 19 minutes.pdf</p> <p>Agreed with the CGG</p> <p>Included with every progress report to Audit and Standards Committee Internal Audit Second Interim Report</p> <p>Satisfaction survey issued following every review.</p>
CONFORMS	PARTIAL	NOT CONFORMING	<p>Annual Self Assessments carried out by CAE</p> <p>MOU sets out criteria for external assessment carried out by Lancashire Heads of Audit</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>			<p>Reported to Audit and Standards committee in each progress report.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
1312 External Assessments			
<p>Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?</p> <p>Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</p>			<p>PSIAS review undertaken by Preston / Chorley & SRBC December 2016</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing <i>and</i> the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.</p> <p>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</p> <p>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</p> <p>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</p>			Peer Review teams are all Lancashire Heads of Audit and any impairments will be taken into account by the Sub Group who appoint the reviewers for each authority.
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>			See above
CONFORMS	PARTIAL	NOT CONFORMING	
1320 Reporting on the Quality Assurance and Improvement Programme			
<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> ■ the results of both external and periodic internal assessment must be communicated upon completion ■ the results of ongoing monitoring must be communicated at least annually ■ the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. 			<p>The QAIP was last reported to Audit and Standards Committee in March 2017. https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/877/Committee/23/Default.aspx</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			To be included in Annual Report July 2020
CONFORMS	PARTIAL	NOT CONFORMING	
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'			
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?			Included on every Internal Audit report
CONFORMS	PARTIAL	NOT CONFORMING	
1322 Disclosure of Non-conformance			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6 Performance Standards			
6.1 2000 Managing the Internal Audit Activity			
<p>The questions in this section seek to confirm that the internal audit activity's work achieves the purposes and responsibility of the activity, as set out in the internal audit charter, and that the internal audit activity adds value to the organisation and its stakeholders by:</p> <ul style="list-style-type: none"> ■ providing objective and relevant assurance ■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes. 			
2010 Planning			
<p>Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?</p> <p>Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?</p> <p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> ■ How the internal audit service will be delivered? ■ How the internal audit service will be developed in accordance with the internal audit charter? ■ How the internal audit service links to organisational objectives and priorities? 			<p>Risk based plans are developed annually consistent with the Council's priorities.</p> <p>Plan risk based and considers both assurance work and consultancy work on corporate plan / strategy projects.</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this?</p>			<p>Audit Needs Assessment reflects risk position of each area of activity. Consideration to given range of factors including previous opinion, date last audited, changes to processes / staffing etc. Each system / function within the audit universe is given a criticality rating based on a range of risk factors which determines the timescale for review.</p> <p>Risk Management Framework supported by discussions with all senior management</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> ■ Audit work to be carried out? ■ Respective priorities of those pieces of audit work? ■ Estimated resources needed for the work? <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>			<p>Audit Plan 20.21 - revised July 2020 Priorities agreed with MT and reflected in the timing of the review. Resources included (COL C)</p> <p>Internal Audit Plan 2019-20 report clearly specifies the assurance reviews and project team involvement (consultancy) and governance work.</p> <p>Audit Plans contain contingency time to allow for unplanned reviews / changes to planned reviews</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?</p>			<p>Audit Plan kept under constant review and amended when necessary. Any changes are reported to and approved by Audit and Standards Committee</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the internal audit activity's plan of engagements based on a documented risk assessment?</p> <p>Is the risk assessment used to develop the plan of engagements undertaken at least annually?</p>			<p>Audit/ Risk assessment used as basis . Audit needs assessment updated every year in quarter 4.</p>
CONFORMS	PARTIAL	NOT CONFORMING	

<p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> ■ Any declarations of interest (for the avoidance for conflicts of interest)? ■ The requirement to use specialists, eg IT or contract and procurement auditors? ■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? ■ The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion? 			<p>Where appropriate</p> <p>Procurement of ICT specialists</p> <p>Contingency included within Audit Plan</p> <p>Plan allocations sets out time for Audit Planning / Monitoring / Reporting and time for Audit and Standards Committee report preparation and attendance</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?			Senior Managers consulted on the risk assessment and comments recorded.
Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?			All involved with the planning process
CONFORMS	PARTIAL	NOT CONFORMING	
Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?			As part of the planning process
Are consulting engagements that have been accepted included in the risk-based plan?			Plan includes consultancy / projects etc
CONFORMS	PARTIAL	NOT CONFORMING	
2020 Communication and Approval			
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?			Reported to Management Team and Audit & Standards Committee. March 19 minutes.pdf this year's plan to be reported Jul 2020
Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?			Minor changes reported in annual report – no significant changes in recent years
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE communicated the impact of any resource limitations to senior management and the board?			Any resource limitations would be discussed with senior managers and Audit and Standards Committee
CONFORMS	PARTIAL	NOT CONFORMING	
2030 Resource Management			
Does the risk-based plan explain how internal audit's resource requirements have been assessed?			The Plan Allocations sets out the number of days available including both internal and external resources
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?			Timings of audit reviews discussed with Heads of Service and recorded on Risk Assessment
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?</p> <p>This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.</p>			Any concerns would be discussed prior to production of and approval of the plan.
CONFORMS	PARTIAL	NOT CONFORMING	
2040 Policies and Procedures			
<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that conforms to the PSIAS</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p>			Internal Audit Charter Internal Audit Procedure Manual Internal Audit Quality control checklist
CONFORMS	PARTIAL	NOT CONFORMING	
2050 Coordination			
<p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers.</p> <p>They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.</p> <p>Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.</p>			<p>Assurances considered at audit plan discussion stage</p> <p>Sources of assurance gathered in Governance Assurance Statements however formal assurance framework has not yet been developed. (Action 1)</p> <p>Email correspondence to discuss audit overlap.</p> <p>Assurance obtained from Blackpool BC</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2060 Reporting to Senior Management and the Board			
<p>Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?</p> <p>Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?</p> <p>Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?</p>			<p>Interim reports presented to Audit and Standards Committee in September and January annually.</p> <p>Each interim report contains a table highlighting the main pieces of work undertaken during the period together with any control issues identified,</p> <p>Issues raised with managers / directors when appropriate. All other reviews reported in accordance with Audit and Standards Committee timetable</p>
CONFORMS	PARTIAL	NOT CONFORMING	
2070 External Service Provider and Organisational Responsibility for Internal Auditing			
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?			Mersey Internal Audit Agency provide the ICT Audit Service. All other audit activity is provided by the in-house team.
CONFORMS	PARTIAL	NOT CONFORMING	
6.2 2100 Nature of Work			
The questions in this section seek to confirm that the internal audit activity evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.			
2110 Governance			

<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? ■ Coordinating the activities of and communicating information among the board, external and internal auditors and management? 			<p>Overall aim of the IA Service</p> <p>Through specific audit reports, including the annual audit of the Corporate Governance/Risk Management Frameworks. In addition, CAE involvement on the Corporate Governance Group.</p> <p>Assistance with / ownership of corporate policies i.e. anti-fraud, whistleblowing etc</p> <p>At review level, Performance Management is included within each review where appropriate, included on Engagement Plan Performance Management included within Internal Audit Plan annually as a review and has recently been undertaken.</p> <p>Through Audit reports and through the provision of advice and guidance</p> <p>Audit reports issued to Directors /External Audit. Internal Audit annual report and progress reports to Audit and Standards Committee. Chief Executive receives copies of all Limited Assurance reports.</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.			Assistance with / ownership of corporate policies i.e. anti-fraud, money laundering etc Through individual audit reviews incl Ethical culture and as is included in the annual review of the Local Code.
CONFORMS	PARTIAL	NOT CONFORMING	
Has the internal audit activity assessed whether the organisation’s information technology governance supports the organisation’s strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.			Areas for consideration discussed and agreed with Head of ICT – audits then provided through external provision by Mersey Internal Audit Agency
CONFORMS	PARTIAL	NOT CONFORMING	
2120 Risk Management			
Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes by determining that: ■ Organisational objectives support and align with the organisation’s mission? ■ Significant risks are identified and assessed? ■ Appropriate risk responses are selected that align risks with the organisation’s risk appetite?			Review of Risk Management performed within 2019/20 Internal Audit Plan Actions identified from the review of Risk Management performed 2019/20. To be included within the Risk Management framework / strategic risk register Risks and controls recorded on GRACE
CONFORMS	PARTIAL	NOT CONFORMING	
Has the internal audit activity evaluated the risks relating to the organisation’s governance, operations and information systems regarding the: ■ Achievement of the organisation’s strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts?			Audit Planning and included within each individual audit review.
CONFORMS	PARTIAL	NOT CONFORMING	

<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>			<p><u>New Fighting Fraud and Corruption Locally strategy 2020</u></p> <p>launched review required to ensure adherence to best practice.</p> <p>Individual Audits specifically review identified fraud risks</p> <p>Corporate Fraud Team now in place. CAE liaises regularly with Head of Corporate Fraud Team to discuss work and current risks</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?</p>			IA involved with project teams to provide advice and guidance on governance, control and risk.
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?</p>			GRACE system assigns risk owners to individual risks. IA do not own any risks other than those relating to the IA service
CONFORMS	PARTIAL	NOT CONFORMING	
2130 Control			
<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			Audit Planning process Through audit assignments and reporting
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?</p>			Where appropriate
CONFORMS	PARTIAL	NOT CONFORMING	
6.3 2200 Engagement Planning			
<p>Do internal auditors develop and document a plan for each engagement?</p> <p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ Timing? ■ Resource allocations? 			<p>Standard working papers</p> <p>Engagement Plan Risk and Control Evaluation Audit Test results Reports</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> ■ The objectives of the activity being reviewed? ■ The means by which the activity controls its performance? ■ The significant risks to the activity being audited? ■ The activity's resources? ■ The activity's operations? ■ The means by which the potential impact of risk is kept to an acceptable level? ■ The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? ■ The opportunities for making significant improvements to the activity's governance, risk management and control processes? 			<p>Engagement Plan and report</p> <p>Review of performance information is included within the engagement where appropriate</p> <p>Use of risk registers and recorded in the Risk and Control Evaluation</p> <p>Resource availability is always considered at the Planning Memo stage and discussed during the initial meeting.</p> <p>Gaining an understanding of how the service delivers its operations is the first part of any review and is included within the Engagement Plan</p> <p>Review of the risk register and assessment of the controls in place</p> <p>Basis of the risk based assignment. Findings included within the report</p> <p>Basis of the risk based assignment. Findings and actions to improve included within the report</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)? 			Not applicable - Service not provided to external parties
CONFORMS	PARTIAL	NOT CONFORMING	

<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities of the internal auditors and the client and other client expectations? <p>For significant consulting engagements, has this understanding been documented?</p>			<p>Engagement plan clearly sets out the role of Internal Audit within consulting engagements</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2210 Engagement Objectives			
<p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> ■ Significant errors? ■ Fraud? ■ Non-compliance? ■ Any other risks? 			<p>Included within Engagement Plan and discussed at initial meeting .</p> <p>Review of the risk register and compilation of the RCE</p> <p>Included within the Audit Engagement Quality control Checklist</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p> <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p>			<p>Most service areas have performance indicators to assess adequacy of performance and these are tested where appropriate and included within the Engagement Plan</p>
<p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>			<p>If PI's were inadequate we would identify and include within the IA report.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?</p> <p>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?</p>			<p>Included within the Engagement plan for consulting engagements</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?</p> <p>Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties? Does this consideration include areas under the control of outside parties, where appropriate?</p>			<p>Included within the Audit Engagement Quality control Checklist</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?</p> <p>Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?</p>			This has not occurred as significant consultancy work is included within the IA Annual plan
CONFORMS	PARTIAL	NOT CONFORMING	
<p>For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?</p> <p>If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?</p> <p>During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?</p> <p>During consulting engagements, were internal auditors alert to any significant control issues?</p>			<p>Included within Engagement Plan</p> <p>This has not occurred but discussion would take place if the situation arose</p> <p>Key focus of the consultancy work</p> <p>IA role is to ensure that governance, risk management and control issues are considered throughout the whole project</p>
CONFORMS	PARTIAL	NOT CONFORMING	
2230 Engagement Resource Allocation			
<p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement based on:</p> <p>a) The nature and complexity of the individual engagement?</p> <p>b) Any time constraints?</p> <p>c) The resources available?</p>			<p>Resource allocation is estimated for each review and is included within the IA Annual Plan and is based on current knowledge of the system under review. Time is monitored throughout the course of the audit, to ensure resources are used effectively and efficiently – plan allocations issued to all auditors</p> <p>Time is monitored throughout the course of the audit to ensure resources are used effectively and efficiently.</p> <p>As above</p>
CONFORMS	PARTIAL	NOT CONFORMING	

2240 Engagement Work Programme			
<p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> ■ Identifying information? ■ Analysing information? ■ Evaluating information? ■ Documenting information? <p>Were work programmes approved prior to implementation for each engagement?</p> <p>Were any adjustments required to work programmes approved promptly?</p>			<p>All auditors must produce a risk and control evaluation which details all the controls to be tested during the course of the review.</p> <p>All working papers are retained on the Shared Audit network drive. All auditors experienced and are able to use appropriate methods to identify, analyse, evaluate and document information in order to provide assurance or otherwise in all reviews undertaken</p> <p>All RCEs are approved by CAE prior to review commencing.</p> <p>Auditors able to amend work programme according to complexity and time. Approval of CAE would be sought if amendment required eg omission of a particular test</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6.4 2300 Performing the Engagement			
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement results and conclusions.			
2310 Identifying Information			
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?			All working papers are retained on the Shared Audit network drive. All auditors experienced and are able to identify sufficient, reliable, relevant and useful information in order to provide assurance or otherwise in all reviews undertaken. CAE review of working papers and report would identify any shortcomings.
Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.			
CONFORMS	PARTIAL	NOT CONFORMING	
2320 Analysis and Evaluation			
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?			As above
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented:			Would be identified and documented within working papers
<div><div></div> Intentional wrongdoing?</div> <div><div></div> Errors and omissions?</div> <div><div></div> Poor value for money?</div> <div><div></div> Failure to comply with management policy?</div> <div><div></div> Conflicts of interest?</div>			
CONFORMS	PARTIAL	NOT CONFORMING	
2330 Documenting Information			
Have internal auditors documented the relevant information required to support engagement conclusions and results?			Working papers contain the relevant information. PA review of working papers and report would identify any shortcomings. Any shortcomings would be addressed and rectified at this stage if evidence insufficient for anyone else to pick up and follow.
Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p>			<p>Records held on shared network drive. Only internal audit staff have access to this drive.</p> <p>Incorporated into Audit Procedure Manual</p>
CONFORMS	PARTIAL	NOT CONFORMING	
Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?			In line with GDPR requirements
2340 Engagement Supervision			
<p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>			<p>Ongoing discussion with auditor, file review and report clearance will identify any issues</p> <p>All working papers reviewed are signed by the CAE and comments recorded on the RCE to highlight any areas of concern which must be addressed prior to the issue of the draft report.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
6.5 2400 Communicating Results			
The questions in this section seek to confirm that internal auditors communicate the results of engagements in an			
2410 Criteria for Communicating			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> ■ The engagement's objectives? ■ The scope of the engagement? ■ Applicable conclusions? ■ Recommendations and action plans, if appropriate? 			<p>All included on the report</p> <p>Summary of overall findings included with controls assurance ratings</p> <p>Included on the Management Action Plan</p>
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?			Meeting arranged as draft report issued
CONFORMS	PARTIAL	NOT CONFORMING	

<p>If recommendations and an action plan have been included, are recommendations prioritised according to risk?</p> <p>If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?</p> <p>If there are any areas of disagreement between the internal</p>			<p>Red and amber risks reviewed and actions prioritized according to the level of control</p> <p>Actions prioritised by date order.</p> <p>Timescale recorded on the action plan</p> <p>Any alternative actions are recorded in the management action plan.</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?			All material facts disclosed.
When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?			The controls assurance rating is based upon the findings of the review. If this is challenged, the auditee would have to provide evidence to support the change.
CONFORMS	PARTIAL	NOT CONFORMING	All Audit reports are issued to Directors and External Audit. Included within Quality
Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300). Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?			Each identified risk is awarded an assurance opinion on the RCE . (col k) These support the overall assurance opinion awarded for the review
CONFORMS	PARTIAL	NOT CONFORMING	
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?			Not occurred but would do where necessary
CONFORMS	PARTIAL	NOT CONFORMING	
Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
2420 Quality of Communications			
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?			Report is succinct and concise, confirmed for factual accuracy with the auditee. Satisfaction surveys issued after each review contain a question about the clarity, style and balance of the report
CONFORMS	PARTIAL	NOT CONFORMING	
2421 Errors and Omissions			
If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?			Would do if necessary
CONFORMS	PARTIAL	NOT CONFORMING	
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'			
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			Included on report
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2431 Engagement Disclosure of Non-conformance			
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: ■ The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? ■ The reason(s) for non-conformance? ■ The impact of non-conformance on the engagement and the engagement results?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
2440 Disseminating Results			
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?			Circulation included on Engagement Plan and on the Quality Checklist
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE communicated engagement results to all appropriate parties?			As per the Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
Before releasing engagement results to parties outside the organisation, did the CAE: ■ Assess the potential risk to the organisation? ■ Consult with senior management and/or legal counsel as appropriate? ■ Control dissemination by restricting the use of the results?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?			Summary of consultancy work undertaken included within Progress Report / Annual Report
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2450 Overall Opinion			
<p>Has the CAE delivered an annual internal audit opinion?</p> <p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?</p> <p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p> <p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>			<p>Contained within Annual Report to be reported July 2020 Internal Audit Annual Report 2018-19</p> <p>Annual Report to Audit and Standards Committee sets out the requirements of the Accounts & Audit Regulations 2015. Results of individual reviews reported to senior managers and the Audit and Standards Committee throughout the year</p>
CONFORMS	PARTIAL	NOT CONFORMING	Based on opinions of individual pieces of audit work undertaken during the year
<p>Does the communication identify the following:</p> <ul style="list-style-type: none"> ■ The scope of the opinion, including the time period to which the opinion relates? ■ Any scope limitations? ■ The consideration of all related projects including the reliance on other assurance providers? ■ The risk or control framework or other criteria used as a basis for the overall opinion? <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p> <p>Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</p>			<p>Included within annual report</p> <p>Would do where appropriate</p> <p>Included within overall opinion</p> <p>Based on results of audits undertaken during that year.</p> <p>Included in summary table of each review</p> <p>Opinion will be included within AGS</p>
CONFORMS	PARTIAL	NOT CONFO	

<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> ■ The annual internal audit opinion? ■ A summary of the work that supports the opinion? ■ A disclosure of any qualifications to the opinion? ■ The reasons for any qualifications to the opinion? ■ A disclosure of any impairments or restriction in scope? ■ A comparison or work actually carried out with the work planned? ■ A statement on conformance with the PSIAS? ■ The results of the QAIP? ■ Progress against any improvement plans resulting from the QAIP? ■ A summary of the performance of the internal audit activity against its performance measures and targets? ■ Any other issues that the CAE judges is relevant to the preparation of the governance statement? 			<p>All areas are included within the Annual report</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6.6 2500 Monitoring Progress			
<p>The questions in this section seek to confirm that a system is in place to monitor effectiveness of audit communications results to management, including appropriate follow up when no action is taken by management.</p> <p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>			
<p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk-based planning of future audit work?</p>			<p>Would do if situation arose.</p> <p>Would do if there were significant delays in returning information or non-implementation of agreed actions</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>			As per any other engagement
CONFORMS	PARTIAL	NOT CONFORMING	
6.7 2600 Communicating the Acceptance of Risks			
<p>This section considers the arrangements which apply if the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation.</p> <p>Situations of this kind are expected to be rare. PSIAS 2600 sets out communication requirements for the CAE. It is not the responsibility of the CAE to resolve the risk.</p>			
<p>If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?</p> <p>If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?</p>			<p>Has not occurred but if it did, the matter would be reported to Senior Management</p> <p>This has not occurred but if it did, the matter would be reported to Audit and Standards Committee</p>
CONFORMS	PARTIAL	NOT CONFORMING	

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	8
INTERNAL AUDIT ANNUAL REPORT 2019/20			

PUBLIC ITEM

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

SUMMARY

The purpose of this report is to summarise the work undertaken by the Internal Audit Service during 2019/20 and to give an opinion as required by the Public Sector Internal Audit Standards on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The report also includes the summary of the performance of the Internal Audit Service and the results of the Quality Assurance and Improvement Programme.

RECOMMENDATION

That the Committee notes the contents of the report.

SUMMARY OF PREVIOUS DECISIONS

None.

CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	✓
Working with all partners (Vibrant Economy)	✓
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	✓
Promoting Fylde as a great destination to visit (A Great Place to Visit)	✓

THE ROLE OF INTERNAL AUDIT

1. The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the head of internal audit to provide an opinion on the council's control environment. This report fulfils this requirement and assists the councils in meeting the requirements of the Accounts and Audit Regulations 2015.

OVERALL OPINION

2. The Public Sector Internal Audit Standards require the Head of Audit to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. This opinion is based upon the work undertaken by the Internal Audit Service throughout the year and external assurance providers. I can provide **MODERATE** assurance as detailed below:

Internal Control – During 2019/20, 14 reviews were completed, of these 71% were awarded either substantial or moderate assurance rating, however 4 reviews over the course of the year were awarded only limited assurance. Furthermore, a further 2 reviews were undertaken by external consultants and although not formally issued with an assurance rating, it is deemed that these areas did not display a strong level of internal control. There are some areas of notable strength with robust arrangements in place, whereby we were able to award a substantial assurance rating. Whilst there may be explanations for the reasons why only limited assurance can be awarded in the 4 instances, when all the outcomes from the reviews are aggregated, only moderate assurance can be placed on the internal control environment of the Council.

Risk Management – During 2019/20 the Council implemented the GRACE (Governance, Risk and Control Evaluation) risk management system in order to be able to record, monitor and report on risks facing the council in achieving its objectives. The development of the system is still in its infancy and although progress is being made, an independent review has confirmed that the current arrangements provide moderate assurance. During 20-21, it is the intention to further strengthen the arrangements by fully utilizing the suite of reports in order to provide support for Directors, Heads of Service and the Strategic Risk Management Group.

Governance – Overall the Council's governance framework is generally sound and has operated effectively, however the work of Internal Audit has identified some key areas of governance whereby the current arrangements could be strengthened. The Annual Governance Statement Action Plan contains actions to address these areas and it is imperative that these are implemented to ensure that the councils system of corporate governance incorporate the highest standards of practice.

INTERNAL AUDIT SERVICE

3. Internal Audit has always strived to provide, quality, responsive, efficient and cost-effective service and pursues a policy of continuous improvement. Whilst its approach focuses on the extent to which managers have effective controls in place to mitigate their operational risks, audit work also specifically attempts to identify any opportunities for reduction in the level of controls in operation and to streamline processes.
4. The 2019/20 Audit Plan was produced with a focus on the significant areas of risk and showing where assurance on these risks can be obtained. This led to an enhanced approach towards the audit and particularly reporting by identifying the sources of assurances within the audit area and then commenting on the effectiveness of those sources. As a result, audit reports now provide information on a greater volume and breadth of assurance for senior management and the Audit and Standards Committee.
5. In addition, training was delivered to over 40 officers on the use of the GRACE and risks and controls are now being recorded, which formed the basis of the audit reviews undertaken during 19/20.

INTERNAL AUDIT PLAN 2019/20 TIME ALLOCATIONS

6. **Appendix A** to this report provides a detailed account of the individual audits undertaken during 2019/20. A summary of any actions that have been agreed with management to further improve controls within all the areas audited is also included within the appendix.
7. The following table provides an analysis of the planned and actual auditor days used during the year together with an explanation of any variations that have occurred.

	Planned Days	Actual Days	Variance
Audits undertaken	300	334	34
Audits not undertaken:			
Data Sharing Protocols	15	0	(15)
Project Management	15	5	(10)
Contingency	75	84	9
TOTALS	405	423	18

8. The two reviews, highlighted above were not undertaken for the following reasons:

Data sharing protocols – this has been deferred to 20/21 to allow time for the actions highlighted in the GDPR review completed in February 2020 to be implemented. This review will then focus on one aspect of the regulations and how we share data with other agencies / organisations.

Project Management – it was identified in the Annual Governance Statement that further work was required to re-launch and provide training on the corporate Project Management Framework. As a result, this review has been deferred to 20/21.

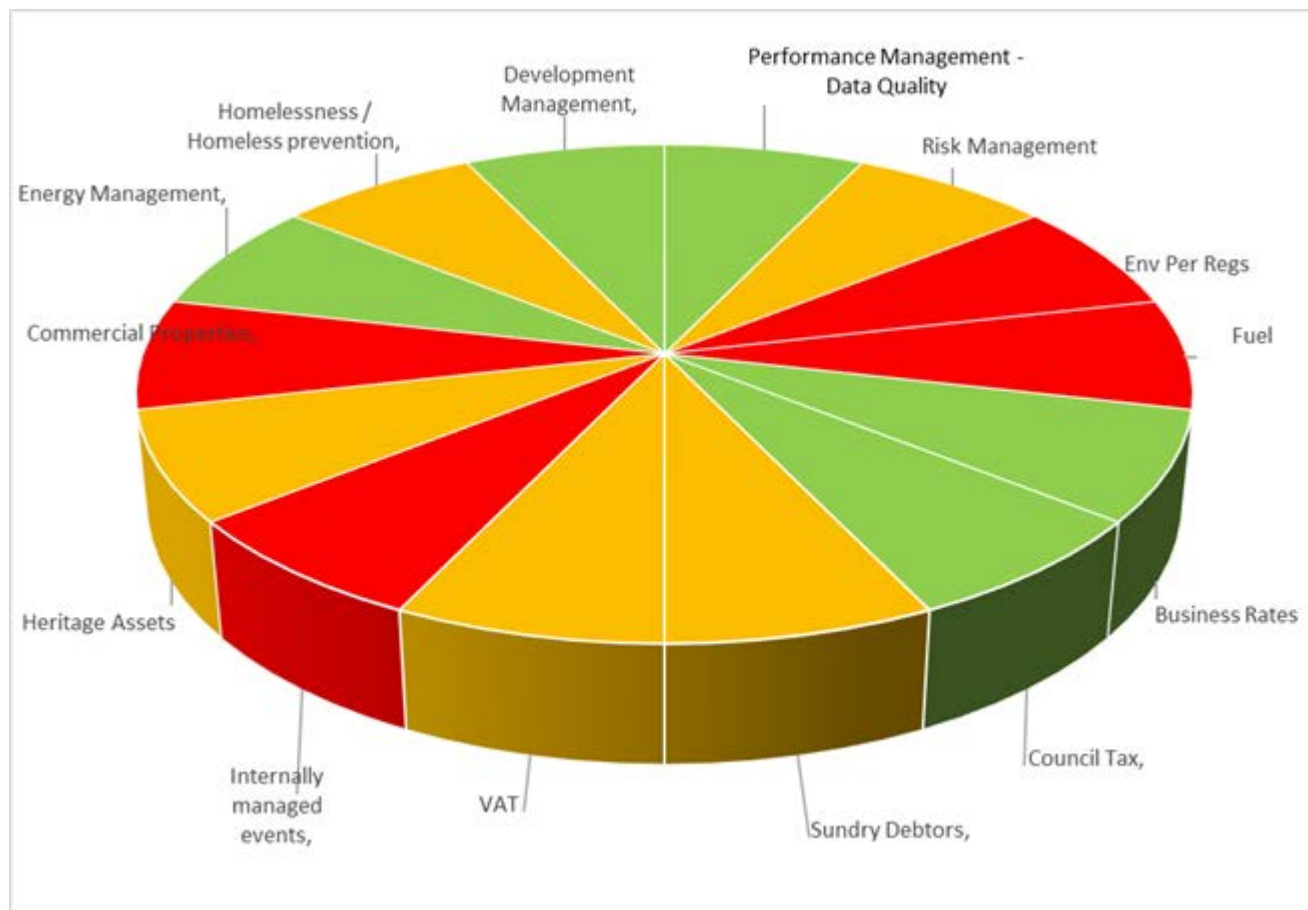
9. A number of reviews were in progress in quarter 4, however as a result of COVID 19, the Internal Audit Team were re-deployed onto the Business Support Grant team and as such, this work remains incomplete. This has been highlighted in the revised Internal Audit Plan 20/21 and will be reported to the Audit and Standards Committee in due course.

INTERNAL AUDIT PLAN 2019/20

10. Members will be aware that each individual audit is awarded a separate controls assurance rating after the audit is completed to reflect the level of internal control that is present in each system / area. The table below shows the assurance ratings along with the definition for each:

Assurance Rating	Definition
Full	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives.
Substantial	While there is basically a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.
Moderate	While there is basically a sound system of control, there are some more significant/serious weaknesses, which may put some of the system objectives at risk.
Limited/None	There are significant weaknesses in key areas in the systems of control, which put the system objectives at risk and leaves the system open to significant error or abuse

11. A total of 14 systems / areas were reviewed in accordance with the plan. The chart below shows the controls assurance ratings that were awarded for the individual audits undertaken during the year:



12. As highlighted above of the 14 reviews completed, 10 were awarded either a substantial or moderate assurance rating with 4 being awarded a limited assurance rating. A further 2 reviews (not awarded an assurance rating) have also raised concerns regarding the findings.
13. The findings of these reviews have been assessed by the Corporate Governance Group and the reasons for the increase in the number of reviews being awarded a limited rating were considered to be twofold as reported to the Committee in January 2020:
 - With the exception of the Fuel Consumption review, the remaining 3 reviews – Internally Managed Events, Environment Regulations and Commercial Property have not been subject to audit review previously and
 - Revised audit methodology has been used which involves both the auditor and the manager identifying the key risks and controls facing the service. These are then recorded on GRACE and allows for continuous self-assessment by the manager following the audit process.
14. In addition to the reviews detailed above, we have played an active role in the project teams of two major projects, the Coastal Defence Project and the Fairhaven Lake Project enabling the Internal Audit team to provide advice and guidance in relation to governance, control and risk in real time.
15. Members are also reminded that the control ratings shown relate to the point in time when the respective audit reports were issued during the course of the year. They therefore represent a historical rather than a current judgement as managers have been charged with implementing corrective actions to address the controls issues raised which in turn is supported by management confirmation that actions have been implemented.

MANAGEMENT'S RESPONSES TO OUR FINDINGS

16. For all the reviews completed to date, a 100% agreement rate has been achieved. All agreed actions contained within the reports have been accepted and will be followed up to ensure implementation and will

be reported on at a future meeting of this committee. In total, 40 actions have been agreed for the reports issued with a limited assurance rating.

17. It was agreed with members that an update would be provided on any reports issued with a limited assurance rating, however, this has been discussed with the Chair of the Audit and Standards Committee and the conclusion reached that in the current climate and working arrangements the Council is facing, it is not feasible to ask managers about the implementation of agreed actions. As soon as it is practicable to do so, we will be seeking an update and will provide a detailed report to Committee in November 2020.

INTERNAL AUDIT PERFORMANCE

18. **Appendix B** provides information on Internal Audit performance for the 2019/20 Internal Audit Plan. We are pleased to report that our performance indicators have been exceeded with the exception of:

- Percentage of Audit Plan completed. This is due to the reviews which were incomplete at the end of the year and the reviews deferred due to pandemic.

Customer Satisfaction

19. Customers are asked to complete a satisfaction survey as each final report is issued. Last year we were able to report an upward trend with this indicator and this has continued during 19/20 as detailed in the table below:

Year	Target	Actual	Comments
2019/20	90%	97%	Target exceeded
2018 / 19	90%	94%	Target exceeded
2017/ 18			Performance indicator not collated
2016/17	90%	90.4%	Target achieved

QUALITY AND IMPROVEMENT ASSURANCE PROGRAMME

20. The PSIAS came into force from 1 April 2013 and the annual review of effectiveness of Internal Audit is now demonstrated through a self-assessment against these standards. At least once every five years, however, some external independent input into the assessment is required and in December 2016 a Peer Review team provided external validation of the self-assessment.
21. The Corporate Governance Group has reviewed and challenged the self-assessment and concluded that the Internal Audit Service effectively demonstrates conformance with the Standards and there have been no instances of non-conformance. The self-assessment is contained in a separate report on this agenda.
22. This self-assessment has identified two areas of improvement for the Internal Audit Service and details are included on the action plan at **Appendix C**. Progress is currently being made with both actions and it is anticipated that they will be fully completed by September 2020.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015
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	This report supports the Audit and Standards Committee in undertaking it's role which includes providing independent oversight of the adequacy of the council's framework of governance , risk and control

LEAD AUTHOR	CONTACT DETAILS	DATE
Dawn Highton	Dawn.highton@fylde.gov.uk 01253 658413	June 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
2019/20 Internal Audit Plan	March 2019	Audit office, Town Hall

Attached documents

Appendix A – Summary of Audit Work

Appendix B – Internal Audit Performance Indicators

Appendix C – PSIAS Action Plan 2020

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
Annual Governance Statement	The Council is required under 10(1)(b) of the Accounts and Audit Regulations 2015, to publish an Annual Governance Statement (AGS). The role of Internal Audit was to coordinate a review of the system of governance and highlight any improvement actions to include in the Annual Governance Statement Action Plan.	Not applicable	Proactive input provided rather than an audit / review
Anti Fraud and Corruption	To raise awareness of fraud issues / ensure probity policies are reviewed and publicised	Not applicable	Proactive input provided rather than an audit / review
National Fraud Initiative	The NFI is a data matching exercise, using sophisticated computer techniques which matches data within and between organisations to help detect fraud, overpayments and error. Internal Audit co-ordinated the Council's input to the 2019/20 main exercise.	Not applicable	Investigations are currently being undertaken by the Corporate Fraud Team and will be reported to the Audit and Standards Committee in due course.
Performance Management – Data Quality	The Council's vision is 'To let Fylde prosper by 2020 and to deliver excellent services'. The Council needs to have good quality data in place to manage services, inform users and account for performance. Service users, members and the public more widely, need accessible and accurate data to be able to make informed decisions.	Substantial	No key control issues identified
Risk Management	Risk management is a key contributor to the internal assurance processes and the production of the Annual Governance Statement which report the extent to which the Council has complied with its Governance Code. The	Moderate	The Council's risk management arrangements have been strengthened during 2019/20 by the continuing development of the GRACE system. Extensive officer training has been undertaken and will continue over the next 12 months as the

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
	<p>GRACE (Governance Risk Assessment and Control Evaluation) system has recently been adopted for use within the Council to enable the completion of risk registers at all levels including strategic and operational risks.</p>		<p>use of GRACE increases. The implementation of GRACE is still in the early stages and as such not all the processes and procedures are fully embedded and operational across the whole of the authority. It is apparent that there are plans in place to further embed risk management using the reporting facility for senior officers.</p> <p>Reporting and monitoring arrangements for Strategic Risk Management Group and all Council members are still in the development stage and the Risk Management Strategy is currently being updated</p>
Payroll	<p>The Council has set a basic salary budget of approximately £6.6m for the period 2019/20. This cost represents a significant part of the Council's expenditure and it is therefore important to have robust and effective controls in place to mitigate payroll risks.</p> <p>The processing of the payroll is delivered by Blackpool Council with input to the payroll system undertaken by reference to appropriately authorised data submitted by Fylde Council. Such arrangements form part of a wider service level agreement.</p> <p>Delivery of the payroll service is subject to periodic review by Blackpool Council's Internal Audit Team. In their recent report it is noted that an adequate assurance</p>	N/A	This review was in progress at the time of the COVID 19 lockdown and therefore will be finalised during 20/21.

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
	<p>rating was awarded for their review of the payroll system.</p> <p>This audit will focus on payroll risks and improving internal controls and governance processes operating at Fylde Council only. Travel and subsistence claims are excluded from this review, as an audit on this area is undertaken separately.</p>		
Environmental Permitting Regulations	<p>In accordance with the Environmental Permitting Regulations 2016 the Council as a Local Authority must regulate certain types of factory and other activities, such as dry cleaners, under Local Air Pollution Prevention and Control (LAPPC) and Local Authority Integrated Pollution Prevention and Control (LA-IPPC). This is to reduce any pollution they may cause and, in particular, to help improve air quality.</p> <p>The Council must decide whether to give a permit to premises known as “installations”. Local Authorities regulate Part A2 & Part B installations and can regulate up to 80 different types of installation. Specific conditions are stated on each permit to say how pollution will be minimised and an appropriate fee is charged for each permit application.</p>	Limited	<p>Our work established that the Council has 19 installations of industrial and commercial processes that are regulated under the current regulations.</p> <p>Our review highlighted inconsistencies/errors with permits and a lack of documentation available for some establishments that had changed ownership and/or permit holder. Additional weaknesses were found with the records pertaining to inspections, risk assessments and ongoing monitoring that will impact on the Council’s ability to demonstrate continuity of regulation and inspection and its ability to provide a robust public register that meets the requirements of the legislation.</p>
Fuel	The Council spends at least £250,000 on diesel fuel each	Limited	Officers procuring fuel are clearly acting in good faith and trying

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
Consumption	<p>year to operate its fleet of vehicles, plant and equipment. Diesel held in storage and in vehicles makes this a highly desirable commodity and therefore robust and rigorous arrangements need to be in place for the management and control of fuel consumption.</p>		<p>to obtain best value, however, they are not acting in accordance with the Council's Contract Procedure Rules and the Guide to Buying for the Council, as neither the total spend over 12 months is being aggregated nor is the activity reported to any Committee. In addition, due to the lack of separation of duties the current arrangements fail to provide adequate protection for officers undertaking this role.</p> <p>Good controls are in place for the drawing of fuel with the use of tags and limits. Budget monitoring is undertaken, however, whilst the fuel management system has the capability to produce exception reports which would highlight excessive or inappropriate use of the fuel, these reports are not being routinely run or examined.</p> <p>Officers have been in their current roles for many years and are experienced. However, it is best practice to have detailed guidance / procedures in place to ensure roles are clear, consistent standards applied and to assist other officers in any instances of long-term sickness / business continuity.</p>
General Data Protection Regulations	<p>The General Data Protection Regulation (GDPR) came into force on the 25th May 2018 and is EU wide legislation. The Data Protection Act 2018 (DPA18) achieved Royal Assent on 23rd May 2018 and is UK legislation.</p> <p>Article 5 of the GDPR sets out seven key principles which</p>	Not applicable (review undertaken by external consultant)	<p>The review identified that the Council has undertaken positive steps and committed resource to comply with the implementation of the GDPR, however several areas were identified for improvement. These include:</p> <ul style="list-style-type: none"> taking urgent steps to update relevant policies to reflect GDPR requirements;

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
	<p>lie at the heart of the general data protection regime.</p> <ul style="list-style-type: none"> • Principle (a) – lawfulness, fairness and transparency • Principle (b) – purpose limitation • Principle (c) – data minimisation • Principle (d) – accuracy • Principle (e) – storage limitation • Principle (f) – integrity and confidentiality • Accountability principle <p>Failure to comply with these principles can lead to enforcement action being brought by the UK's data protection regulator, the Information Commissioner's Office (ICO). This enforcement action can include undertaking audits, prosecution or monetary penalties of up to €20 million or 4% of Fylde Council's turnover.</p>		<ul style="list-style-type: none"> • ensuring the website is updated with all privacy notices; • completing the Record of Processing Activity; • training of officers.
Contract Procedure Rules	<p>Public procurement is the process whereby public sector organisations acquire goods, services and construction works from third parties.</p> <p>Procurement is currently governed by the Council's Contracts Procedure Rules (CPR) which is part of the Council's Constitution and are aligned to European Union</p>	N/A	This review was in progress at the time of the COVID 19 lockdown and therefore will be finalised during 20/21.

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
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	(EU) Regulations. The aim of the CPR is to ensure value for money in the spending of public money and the delivery of high-quality services in a timely and legitimate manner.		
<div>NNDR</div> <div>Council Tax</div>	<p>Money that is raised through taxing local properties (Council Tax) and local businesses (National Non-Domestic Rates) are a key source for funding the provision of local services. In 2018/19 the service processed bills for approximately 37,500 domestic properties and 3,200 businesses. The net collectable debit for the total year was approximately £53 million for Council Tax and £26 million for National Non-Domestic Rates (NNDR); with collection rates for the year attaining 97.02% for Council Tax and 97.51% for NNDR.</p> <p>Fylde Borough Council collects Council Tax across the borough on behalf of Lancashire County Council, Lancashire Police & Crime Commissioner, Lancashire Combined Fire Authority & Parish Councils where appropriate. Billing and collection of Council Tax and NNDR is delivered through a shared service hosted by Blackpool Council. Oversight of the function is provided by the Chief Financial Officer as Lead Officer for the partnership for Fylde.</p>	Substantial (review not finalised)	This review was in progress at the time of the COVID 19 lockdown and therefore the actions arising have not yet been agreed.
Sundry Debtors	Sundry debtor invoices are raised and issued to persons or organisations who have received goods or services	Moderate	Our work has established that the controls in place for the raising and issuing of invoices are largely operating effectively.

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
	<p>from the Council. These invoices amount for a large part of the Council's income. The total value of all invoices raised during 2018/19 was £5.679m. The sundry debtors function is therefore considered to be a key financial system and as such is subject to audit on a regular basis.</p>		<p>The Finance Assistant is both knowledgeable and experienced in generating and issuing one off and periodic invoices.</p> <p>However, the recovery process is not being adhered to in all instances, aged debtor reports were not routinely issued to the originating departments and resources were not always directed to recovering debts with the greatest chance of being collected. Furthermore, system access levels need strengthening to ensure recovery action is not delayed, written procedures require reviewing and updating SMART performance were not in place to drive improvement in collection rates and service delivery.</p>
VAT	<p>The financial activities of the Council fall under Section 33 of the Valued Added Tax Act 1994. Value Added Tax (VAT) is a tax on the sale of goods and services, which is administered by Her Majesty's Revenue and Customs (HMRC).</p> <p>It is the Council's responsibility to make correct VAT returns to HMRC detailing input and output tax. The HMRC's statutory powers mean that the Council is always exposed to the risk of a visit from VAT officers from time to time, financial penalties and a detailed investigation going back a number of years. This may result in a significant liability and therefore it is essential that there are appropriate and effective controls in place over the compilation of the return.</p>	Moderate	<p>Our work found that there is comprehensive guidance on VAT for all staff, VAT returns were suitably authorised, promptly submitted to HMRC and supporting documentation had been retained and figures could be traced back to the relevant working papers. Suitable VAT planning arrangements were also in place with the partial exemption calculation completed for the current and future years taking into account the estimated effects of major projects on the partial exemption position.</p> <p>However, the importance of VAT is not promoted across the Council through regular reminders of the guidance and training of staff. Some improvement is also required to automate controls in systems, there is no exception reporting or independent management checks in place and written procedures need updating and introducing in certain areas.</p>

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues	Appendix A
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Mock Phishing Exercise	<p>Phishing is a type of social engineering attack that aims to influence users to disclose credentials, sensitive information, or introduce malware to a host device or system by creating a plausible, yet malicious scenario. Although social engineering can be conducted via social media, a phone call or text message, phishing is most strongly associated with emails.</p> <p>The objective was to conduct an e-mail phishing exercise to test the technical and human controls around cyber security</p>	Not applicable (review undertaken by external consultant)	As a result of this exercise a programme of targeted training will be delivered over the coming months to raise awareness and empower users to make informed decisions	
Privileged User Access Management	This review was in progress at the time of the COVID 19 lockdown and therefore will be finalised during 20/21.	N/A	This review was in progress at the time of the COVID 19 lockdown and therefore will be finalised during 20/21.	
Event Management	<p>The Council undertake a small programme of internally managed events to enhance Fylde tourism, raise the profile of the borough and promote economic growth for the area. A commitment to deliver and support quality events throughout the Fylde is a key priority within the Council's Corporate Plan.</p> <p>Organising events can lead to a number of uncertainties and can quickly result in harm to people, property and reputation; as well as providing financial challenges from unforeseen circumstances. The annual programme of</p>	Limited	<p>The Council's Tourism and Cultural Services Manager has been the sole Event Manager for the Council's largest events for a number of years. The Council has now recognised that the current arrangements need strengthening and he has now been joined by an experienced and qualified Events Officer who will formally take over the responsibility for Councils events with effect from January 2020.</p> <p>The Councils flagship events are the Lytham 1940's Wartime Weekend and St Annes International Kite Festival. It was recognised during the review that these events are actively</p>	

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
	events is facilitated by the Tourism and Culture team and is delivered in association with multiple service areas across the Council.		<p>supported by elected members and very well received and attended by visitors and local residents.</p> <p>Our work has established that the Council would struggle to demonstrate that it has adequate arrangements in place to ensure the robust management and safe delivery of its events programme. Weaknesses exist with a lack of established corporate protocol for ensuring that internal and external events are adequately categorised, risk assessed and approved. This has led to a level of ambiguity within the organisation with different service areas following different procedures for their own events. Additionally, testing highlighted a lack of engagement by internal stakeholders via the 'event notification' process and via the Event Safety Advisory Group meetings that may lead to serious risks not being identified.</p> <p>Health and safety inspections undertaken for Council's major events are not documented; and checks are not operational to ensure that all third-party documentation has been received and reviewed prior to an event. It is anticipated that the increased resource within the Event's team will provide an opportunity to realign internal procedures and strengthen controls.</p>
Heritage Assets	The Council own a rich and diverse set of heritage assets with a net book value of £3.788m. Officers are actively working towards achieving the Arts Council England	Moderate	The Collections Development Officer is relatively new to the Council and it is evident that in the short time with the Council she has been developing the collection, curating exhibitions,

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
	<p>Accreditation Scheme as recommended by the Tourism and Leisure Committee in June 2018. The first stage has recently been completed which involved the submission of an eligibility questionnaire and several key documents. The Council is now awaiting confirmation to see if it is eligible to make a full application within three years.</p> <p>The changing nature of local government and the resource pressures it is facing means that the management and treatment of heritage assets require a structured and more innovative approach, both to safeguard them for the future and where possible to bring them into commercial use.</p>		<p>introducing standard procedures, developing and consulting on a forward plan and policies that are required as part of the Accreditation process.</p> <p>However, risk assessments to ensure the security and preservation of collection items have not been recently reviewed and although a record of all items and their location is in place, this is not updated in a timely manner and checked on a regular basis. Furthermore, emergency and business continuity plans need to be reviewed to ensure that the collection is effectively safeguarded.</p>
Fairhaven Lake Project	We are a member of the project team to provide advice and guidance on governance, control and risk. In addition we have provided support to enable the production of a robust risk register, which is currently being reviewed and assessed.	Not Applicable	Proactive input provided rather than an audit / review
Commercial Properties	Commercial property is held to generate income for the Council via lease or license; and/or to support economic or social development. Effective property management is essential to ensure the Council's assets are protected and utilised effectively and in accordance with the Council's Commercial Strategy.	Limited	The Councils Estate and Asset Officer is relatively new to the organisation, and it is evident that in the short time he has overseen the administration of commercial properties that the quality of records and overall management of the Council's leases and licenses have improved. Our work, however, has identified that weaknesses remain with a general lack of proactive inspections undertaken to ensure that properties

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues	Appendix A
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			remain within a good state of repair; that all properties have been assessed for the risk of asbestos and legionella and that tenants are complying with the terms of their lease agreement.
Coastal Defence Project	We are a member of the project team to provide advice and guidance on governance, control and risk. In addition we have provided support to enable the production of a robust risk register, which is currently being reviewed and assessed.	Not applicable	Proactive input provided rather than an audit / review
Energy Management	World energy consumption continues to rise and is expected to increase further, with energy being a major contributor to climate change. Taking action to better manage the Council's energy consumption and by promoting energy efficiency measures to the community not only helps the planet, it saves money too.	Substantial	No Key control issues identified
Homelessness / Homelessness Prevention	<p>The Homeless Reduction Act 2017 (HRA 2017) came into effect on 3 April 2018 adding to existing homelessness legislation and brought new duties, powers and obligations on housing authorities and others towards people who are homeless or threatened with homelessness.</p> <p>The Council aims to prevent and relieve homelessness in the borough by providing advisory services; considering applications and inquiries; undertaking assessments and</p>	Moderate	The controls in place are generally operating effectively. Members of the Housing and Homelessness Team are both knowledgeable and experienced in dealing with all aspects of the Homelessness Service and regularly meet to discuss their case work, share experience and ensure that procedures and legislation are being adhered to across the team. The Jigsaw case management system provides a framework for robust record keeping and highlights the current stage of processing for each case, and outlines the next steps required to ensure compliance with the HRA 2017.

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
	providing ongoing support via its Housing and Homelessness Team.		Our work identified that it is requirement for local authorities to ensure that they update their homeless strategy every five years and this is currently overdue for committee approval. Additionally, the exchange of sensitive data is essential between the Council and partnering organisations to meet the needs of the service. Data protection and data sharing protocols need strengthening to explicitly outline each party's respective role and responsibilities within the partnership agreements as outlined in the General Data Protection Regulations.
Development Management	<p>The planning system ensures that built development is in the right place when new houses, shops, community centres or factories are planned. The Council achieves this via the creation of a plan which sets out how their area should look in the future.</p> <p>The Development Management team decide local planning applications such as considering proposals to build on land; changes to the use of buildings / land; and grant or refuse planning permission accordingly. When deciding an application for planning permission, the Council refers to planning policy documents and planning guidance and must undertake this in accordance with the Town and Country Planning Act 1990, Planning and Compulsory Purchase Act 2004 and with consideration of the National Planning Policy Framework.</p>	Substantial	<p>Our review established that applications are processed in accordance with current legislation and the controls in place are generally operating effectively. Senior officers within the Development Management team are knowledgeable; experienced; and regularly undertake continued professional development. They provide ongoing support and supervision to less experienced team members through managerial checks, on-the-job training and regular meetings to discuss individual cases.</p> <p>However, our work identified that the department procedure manual that defines standard working practices and acts as a valuable training tool has not been subject to a detailed review for a number of years. Additionally, an increased managerial promotion of core corporate policies would aid compliance with the Council's requirement for the disclosure and register of</p>

Audits undertaken	Reasons for the Audit	Controls Assurance Rating	Key Control issues Appendix A
			<p>conflicts of interest.</p> <p>Current circumstances relating to the software provider for the Acolaid customer management system were highlighted during the review. A commitment has been made to acquire new software and potential suppliers are being identified. A focused approach to procurement is required to ensure that this can be completed as soon as possible to keep potential system vulnerabilities to a minimum.</p>

Internal Audit Performance Indicators for the Audit Plan 19/20

Performance Indicator Title	Target	Actual	COMMENTS
% of Planned time used	90%	104%	Target exceeded
% of Audit Plan completed	90%	81%	See body of the report
% satisfaction rating (assignment level)	90%	97%	Target exceeded
% of agreed actions implemented by management	90%		See body of the report

PSIAS Ref	No	Actions	Status	Responsible Officer
2010 2050	1	Undertake an assurance mapping exercise in order to identify and record all other sources of assurance throughout the authority	External sources of assurances are obtained and considered in each Internal Audit Review. The Annual Governance Assurance Statements completed by Heads of Service also confirm sources of assurance. Over the course of 20/21, these will be formally mapped.	Head of Internal Audit
	2	Undertake a review of the Internal Audit Strategy / Procedures Manual / Quality Assurance and Improvement Programme to ensure it accurately reflects current operational practices.	This is currently in progress and will be completed by September 2020.	Head of Internal Audit

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	9
REVISED INTERNAL AUDIT PLAN 2020-21			

PUBLIC ITEM

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

SUMMARY

The 2020/21 Internal Audit Plan was compiled in consultation with Directors and Heads of Service following a detailed risk assessment and was due to be presented to the Audit and Standards Committee in March 2020. Since then as a result of COVID 19, the Internal Audit Team have been re-deployed so therefore a revised plan has been compiled to reflect the changes to date and the audits it is anticipated will be achievable in order to be able to produce an audit opinion as required by the Public Sector Internal Audit Standards.

RECOMMENDATION

That the Committee approves the Revised Internal Audit Plan 2020/2021.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	✓
Working with all partners (Vibrant Economy)	✓
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	✓
Promoting Fylde as a great destination to visit (A Great Place to Visit)	✓

BACKGROUND

- The terms of reference of the Audit & Standards Committee include the wording: "To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources".
- Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013) Professional standards for Internal Audit in local government specify that "The Chief Audit Executive (the Head of Internal Audit) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

3. The standards also specify that “The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organizational objectives and priorities.

THE ROLES OF MANAGEMENT AND INTERNAL AUDIT

4. The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with management. Directors and Heads of Service need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.
5. Internal Audit is an independent appraisal function whose prime objective is to evaluate and report on the adequacy of the Council’s system of governance, risk and internal control. This is largely achieved through an annual programme of reviews.

REVISED 20/21AUDIT PLAN

6. The 2020/21 Internal Audit Plan which was originally compiled in preparation to commence in April 2020 onwards contained the programme of reviews for the next financial year. However, in late March 2020, as a result of COVID 19, the Internal Audit Team were re-deployed full time to work on the Small Business Grants & Retail, Hospitality and Leisure Grants issued by the Department for Business Energy and Industrial Strategy As a result of this, the Audit Plan has been revised to reflect the following factors:
 - A total of 175 days has been allocated to COVID 19 support work. It is anticipated that this consist of processing and administering the Business Support Grants and post assurance work which will be required by central government. The detail of this is only starting to filter through to local authorities. In addition, to the support work, we are also providing advice and guidance to any services who have had to implement service specific arrangements to ensure continued service delivery during this time. It is expected that this work will continue throughout the summer.
 - An assumption has been made that audit work will be able to commence in the early autumn and the reviews highlighted in the Revised Internal Audit Plan will be undertaken between September 2020 and March 2021.
7. The Audit Plan is shown at Appendix A and includes the following areas which will be subject to audit coverage in 2020/21 which were identified following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Corporate Plan and Strategic Risk Register.

Corporate

- Undertaking corporate and service level governance reviews in support of the Annual Governance Statement.
- Review and update of Anti-Fraud and Corruption Policies.
- Co-ordinating the Council’s input to the Cabinet Office National Fraud Initiative (NFI) 2020 exercise for in order to identify any potential irregularities.

Risk based reviews of the following systems:

- Data Sharing Protocols
- Housing Benefit
- Treasury Management
- Capital Programme
- Critical Application Review
- Mobile Devices
- Plant & Equipment Inventories
- Property repairs and maintenance
- Car Parks
- Section 106

Project Management Support

- Fairhaven Lake (HLF)
- Capital programme project support

General Areas

- Following up management actions agreed in earlier audit reports.
 - Responding to requests from management for unplanned reviews / investigations.
 - Finalising 19/20 reviews completing the reviews outstanding at the time of redeployment.
 - Compliance with the Public Sector Internal Audit Standards (PSIAS)
 - System administrator responsibilities for risk management system (GRACE).
 - Preparing reports for and attending the Audit and Standards Committee.
8. The reviews removed from the original 20/21 are highlighted in red on Appendix A and will be carried forward to the 21/22 Internal Audit Plan. It should be noted however that if the situation changes and we are able to undertake audits at an earlier than anticipated date, a further revised plan will be presented to the Committee at the earliest opportunity.

AUDIT DAYS

9. The Internal Audit Plan for 2020/21 is based on a resource of **402 audit days**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resources.
10. As and when each individual audit review is undertaken, any sources of external assurance are always considered and the reliance we can place on this is highlighted in the individual report.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
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	There are no Health and Safety implications arising from this report. The Audit Plan has been developed using a risk based approach.

LEAD AUTHOR	CONTACT DETAILS	DATE
Dawn Highton	Dawn.highton@fylde.gov.uk Tel 01253 658413	10 th June 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Risk Assessment	11 th Feb 2020	Internal Audit Office, Town Hall

Attached documents

Appendix A – Internal Audit Plan

FYLDE COUNCIL	QTR	DAYS	Comments
CORPORATE AREAS			
Annual Governance Statement	4	15	To support the 2020 Annual Governance Statement
Anti-Fraud & Corruption	ALL	5	Review and update of probity policies
NFI	ALL	5	Submission of data for the 2020 exercise
CORPORATE SERVICES			
Health and Safety	1		Risk based review
Absence Management	3		Risk based review
Project Management Framework	ALL		Review and re-launch of framework / deferred from 19/20
RESOURCES			
Heath & Environment			
Environmental Health			
Emergency Planning	1		Risk based review
Fleet and Depot			
Stores Stocks (Bins and FMS stock)	1		Risk based review
Governance			
Data Sharing Protocols	3	15	Risk based review / deferred from 19/20
Finance and Service Support			
Housing Benefit	3	15	Risk based review
Finance			
Treasury Management	4	15	Risk based review
Capital Programme	3	15	Risk based review
ICT			
Critical Application Review	3	10	Risk based review
Mobile Devices	4	10	Risk based review
DEVELOPMENT SERVICES			
Project support	ALL	5	Support for Capital programme projects (coastal defence / Island re-development / snowden road / cemetery / future high street)
Parks, Leisure and Cultural Services			
Externally Managed events	4		Risk based review
Plant & Equipment Inventory	3	15	Risk based review
Bereavement service	4		Risk based review
Fairhaven (HLF project)	ALL	5	Project team - pro active support
Technical Services			
Property Repairs and Maintenance	4	15	Risk based review
Car Parks	3	15	Risk based review
Planning & Regeneration			
Disabled Facilities Grants	3		Risk based review
Section 106	4	15	Risk based review
GENERAL AREAS			
COVID 19 Support	1&2	175	COVID 19 support (business grants / post assurance work / advice and guidance)
Post Audit Reviews	ALL	5	Follow up of agreed actions
Contingency / Irregularities	ALL	5	Unplanned reviews / contingency
Lytham Hall Grant funding			Compliance with the funding agreement
Residual work	1	15	Completion of 19/20 audit work
Internal Audit Effectiveness review	2	2	IA Effectiveness review
GRACE (Administrator role)	ALL	10	Administrator functions
Committee Reporting / Effectiveness Review	All	15	Preparation of reports and attendance at Audit & Standards Committee
FYLDE COUNCIL		402	

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	10
ANNUAL GOVERNANCE STATEMENT			

PUBLIC ITEM

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

SUMMARY

The report presents the Annual Governance Statement prepared under the CIPFA/SOLACE framework, the local code of corporate governance, for approval.

RECOMMENDATION

To approve the Annual Governance Statement for signature by the Chief Executive and Leader of the Council.

SUMMARY OF PREVIOUS DECISIONS

The Annual Governance Statement is prepared annually for consideration by the committee and its Action Plan is monitored throughout the year by the Committee.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	✓
Working with all partners (Vibrant Economy)	
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

1. A sound system of corporate governance underpins the achievement of all the Council's corporate objectives.
2. The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Fylde Council has complied with the code and shows how the effectiveness of governance arrangements have been monitored during the year.
3. The preparation and publication of an annual governance statement is necessary to comply with Regulation 4(3) of the Accounts and Audit Regulations 2015, which requires authorities to prepare a statement of internal control in accordance with "proper practices". The CIPFA/SOLACE guidance identifies the production of an annual governance statement in accordance with the guidance as "proper practices".

Summary of the local code

4. The CIPFA/SOLACE guidance quotes the following definition of governance from “International Framework: Good Governance in the Public Sector”: *“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”*. It continues: *“To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times...Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”*.
5. The council’s code is underpinned by the following seven core principles from the CIPFA/SOLACE guidance:
 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the Council’s capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability
6. The Local Code describes the arrangements that have been or are being established within the Council to comply with the requirements. The code requires the Council to:
 - consider the extent to which it complies with the above seven core principles and requirements of good governance set out in the Framework;
 - identify systems, processes and documentation that provide evidence of compliance;
 - identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
 - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
 - Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
7. The Local Code was updated in September 2017, as a result of new guidance produced, and will be updated again by the autumn of this year (and is a noted action with the Corporate Governance Action Plan).

Annual Governance Statement

8. The Corporate Governance Group, currently comprising the Monitoring Officer, Section 151 Officer, Head of Governance together with the Shared Head of Internal Audit, has conducted a detailed self-assessment of the council’s governance against this checklist. This checklist was updated in 2017, in light of new guidance issued. The council must publish the results of this self-assessment, including any recommended areas for improvement in the forthcoming year, as part of its Annual Governance Statement alongside the annual accounts.
9. The governance statement is attached to this report and is presented for approval by the committee. It will, if approved, be signed by the respective council leaders and the chief executive. As it’s a reflective view of the 2019/20 municipal year, with an Action Plan developed as a result moving into the 2020/21 municipal year, both Councillor Buckley, as Leader of the Council for 20/21 onwards, together with Councillor Fazackerley as past Leader, will be invited to sign the Statement.
10. An action plan is incorporated within the governance statement and progress reports will be brought to the committee during the course of the forthcoming year.

IMPLICATIONS	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems and practices. The Annual Governance Statement is an important requirement within the Code.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2015.
Community Safety	No implications
Human Rights and Equalities	No implications
Sustainability and Environmental Impact	No implications
Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance make clear.

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	tracy.manning@fylde.gov.uk Tel 658521	June 2020

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Fylde Code of Corporate Governance	2017	Town Hall, St Annes
Directorate assurance statements	2018/19	Town Hall, St Annes

Attached documents

Appendix 1 – Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2019/20

Executive Summary

Based on the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the matters contained in the statement below to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Fylde Borough Council

Councillor K Buckley
Leader of the Council 2020/21

Allan Oldfield
Chief Executive

Councillor S Fazackerley
Leader of the Council 2019/20

Governance Issues

As a result of the assessment of the effectiveness of governance within the Council, the Corporate Governance Group has identified that a sound system of governance exists within the Authority.

During 2020/21, the Corporate Governance Group recommends that governance work should focus on the following:

Area Requiring Action	Senior Responsible Officer	Completion Date
Implement actions contained within the Member/Officer Relations Action Plan: (following the LGA review undertaken in 2019/20) namely:		
Review the Member Induction Pack	Lyndsey Lacey-Simone (Member Services)	30 th April 2020 (Completed)
Deliver training and support for all Chairmen, including the Mayor, covering procedural best practice as well as managing behaviours	Tracy Manning (Director of Resources)	31 March 2021
Consider revised Code of Conduct drafted by the Local Government Association and bring forward a report for consideration by the Audit and Standards Committee/Council	Tracy Manning (Director of Resources)	31 March 2021
Sign-off of revised Risk Management Strategy	Dawn Highton (Shared Head of Internal Audit)	23 July 2020
Continue to embed Project, Partnership, Operational risks using GRACE	All managers	31 March 2021
Delivery of risk management training	Dawn Highton (Shared Head of Internal Audit)	31 st October 2020

Cyber security – education awareness for service users (employees and elected members)	Ross McKelvie (IT Manager) Lyndsey Lacey-Simone (Member Services)	30 th September 2020
Review Code of Corporate Governance (Local Code)	Tracy Manning	31 st October 2020
Procurement Strategy and associated policies review	Ben McCabe (Procurement Officer)	30 November 2020
Project Management Framework – Compliance Guidance for Managers	Alex Scrivens (Corporate Services)	31 st December 2020
GDPR – updating of key policies and procedures in relation to GDPR and the provision of support and awareness raising to assist managers in meeting their compliance obligations	Ian Curtis (DPO) and Ben McCabe (Deputy DPO)	31 December 2020
<p>Actions recommended by Planning Advisory Service</p> <p>Provide briefings on the Complaints Procedure and provide conflict resolution and customer care training for officers involved in complaint handling</p> <p>Consider a Planning Peer Review to provide a targeted review of the Planning Service</p>	<p>Alex Scrivens (Corporate Team)</p> <p>Paul Walker (Director of Development Services)</p>	<p>28th February 2021</p> <p>31st December 2020</p>
Raise awareness of probity policies through team briefs (on-going throughout the year)	Tracy Manning in consultation with the Corporate Governance Group	31 st March 2021
Core Competencies Review 'Fylde 2024' initiative	Kirstine Riding (Housing Manager)	31 March 2021
<p>Actions as a result of COVID 19:</p> <p>To consider the longer-term implications of agile working with a view to re-setting the culture and behaviours of the council</p>	Alex Scrivens (Corporate Team)	31 st March 2021

Scope of responsibility

Fylde Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to decide to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

In 2007, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published best practice guidance, 'Delivering Corporate Governance in Local Government Framework' to assist authorities in reviewing their governance arrangements. This Council subsequently approved and adopted a code of corporate governance, which was consistent with these principles. This guidance was subsequently updated in 2016 to define seven new core principles which should underpin the governance arrangements for all public bodies.

The seven core principles are:



Each local authority is required to conduct a review at least once a year on the effectiveness of the system of internal control and include a statement on such a review within its published Statement of Accounts. This annual governance statement is the culmination of this work and provides commentary on the 2019/20 municipal year.

The purpose of the governance framework

This statement is an acknowledgment on the part of the Council that is incumbent on all the stakeholders who play a part regarding the organisation of the Council to ensure that there is a sound governance framework underpinning the work of the organisation.

The governance framework comprises systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework has been in place at the Fylde Borough Council for the municipal year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts.

The governance environment

Principles

In 2017, the Council adopted a code of corporate governance ("the Code") and recognises that effective governance is achieved through the core principles enshrined in it as outlined above. This framework establishes that the authority should ensure to keep under review the effectiveness of their governance arrangements and whether standards are being attained.

The Council's corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the Authority in its pursuit of its vision and objectives. The following describes the key elements:

Constitution

The Council's constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution also identifies the principal obligations and functions of the Council.

The constitution and its appendices clearly explain how the different elements of the Council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols.

The constitution builds on model constitutions and guidance produced by the government.

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. More substantive changes are undertaken at three-yearly intervals and this review was completed in 2019/20 with changes being considered and approved by the Council.

Political structure

The Council operates a committee system, following a referendum held in May 2014, which resulted in a vote in favour of the Council moving from an executive form of governance to a committee system.

The Council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it.

As a result of the change in governance system, the Council now operates a committee system with decision-making delegated to the Council's committees. There is a mechanism in place for decisions to be referred to the Council. The Council's committees comprise Finance and Democracy, Tourism and Leisure, Environment Health and Housing, Operational Management, Planning, Licensing, Public Protection and a combined Audit and Standards Committees. There is also a cross-party Member Development Steering Group which considers and recommends personal development and general training opportunities for elected members together with the well-being of elected members in the wider context. These various member groups have met several times each throughout the course of the year to discharge the business of the Council. A joint committee is also established with Blackpool and Wyre Councils to discharge economic development functions, within the context of the Council's overall policy framework.

The Council is engaged in other partnerships and these arrangements are subject to review on an on-going basis, for example, the Council's partnership with the Fylde Citizens Advice Bureau.

Although no longer a constituent member of the Lancashire Combined Authority or the Shadow Combined Authority throughout the course of the year, the council remains committed to working with all the Lancashire authorities to establish alternative options for working together on strategic regional initiatives. At the latter end of the municipal year discussions began to take place on the prospect of the two-tier local government system in Lancashire being replaced by unitary governance and the council has kept a watching brief on these developments.

Meetings of the committees are open to the public, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point or raise a question during Programme Committee meetings, Council together with the Planning Committee. Members of the Council who are not members of the respective committees can ask questions at committee meetings. This helps ensure robust accountability of decisions. Members of the public also have the facility to ask a question at Council meetings by pre-registering to do so. These arrangements have proved effective throughout the year with members of the public taking the opportunity to use these various means of communication.

The Council has no scrutiny committee/committees in place; however, the committee system provides opportunity for scrutiny of its processes and policies and there is the ability to refer items to the council for reconsideration.

All the Council's work is aligned to its corporate priorities through its committee system. All reports identify how they align to one of the five priorities: value for money; clean and green, vibrant economy, great place to live and great place to visit. Work began on reviewing the corporate priorities and plan during the year.

The Council's Audit and Standards Committee deals with conduct, ethics, propriety and declarations of interest. It also oversees and determines complaints made against members under the Code of Conduct. The Council has access to a number of 'independent persons' who assist in upholding high standards. These individuals have worked closely with the Monitoring Officer throughout the year to ensure that high standards of behaviour are maintained. The council agreed several good practice measures with respect to its standards framework during the year to strengthen arrangements.

The Audit and Standards Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations. The Monitoring Officer has reported to the Audit and Standards Committee during the year.

The monitoring and performance of the Council's assurance and governance framework is also led by the Council's Audit and Standards Committee. The committee has the responsibility to ensure that the monitoring and probity of the Council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the Council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

All out local elections were held in May 2019, with no change in political leadership of the council as a result.

Officer structure

The authority implements its priorities, objectives and decisions through officers, partnerships and other bodies. Officers can also make some decisions on behalf of the authority under the Scheme of Delegation.

The Chief Executive

The Chief Executive is designated as the Head of the Authority's Paid Service. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the Authority. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

Monitoring Officer

The Council has designated its Director of Resources as Monitoring Officer. The Monitoring Officer must ensure compliance with established policies, procedures, laws and regulations. She must report to the full Council or one of the Council's Committees as appropriate if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such reports have arisen during the 2019/20 financial year. Blackpool Council's Monitoring Officer acts as Deputy Monitoring Officer for the Council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these Council's Monitoring Officers. The Head of Governance also supports ethical framework arrangements.

Chief Financial Officer

The Council has designated the Chief Financial Officer as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2015. Regular reports have been made to the Council's Finance and Democracy, and other Committees as appropriate, throughout the course of the year.

Both statutory officers referred to above have unfettered access to information, to the Chief Executive and to councillors so they can discharge their responsibilities effectively. The functions of these officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Chief Financial Officer accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer. A protocol establishes the nature and role of the Monitoring Officer.

Management Team

Two directors report to the Chief Executive and form the authority's management team together with six Heads of Service for the authority, one of whom is the Section 151 Officer. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The Constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business.

The Management Team collectively and individually are responsible for securing the economic, effective and efficient use of resources as required by the duty of best value. Powers delegated to each member of Management Team, together with other officers, are documented in the constitution.

Head of Governance

Internal Audit

The Council maintains an independent Internal Audit Service, which operates within the principles set out within the Public Sector Internal Audit Standards (PSIAS). These standards were set by several internal audit standard setters who established a series of standards known as PSIAS and adopted with effect from 1 April 2013.

Corporate Governance Group

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit and Standards Committee and Management Team and to compile, maintain and monitor the Code.

Operational

The Corporate Plan establishes Fylde Council's corporate priorities and reflects the Council's principal statutory obligations. Performance against the plan is supported by a performance management system and performance information is reviewed by the various committees of the council during the year.

The financial management of the Authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place a Medium-Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning process. All services are reviewed annually through the service planning process to ensure that they meet the needs of customers and that performance targets for quality improvements are set and monitored. The Medium-Term Financial Strategy includes targets for efficiency savings where appropriate, to be met across all service areas.

Annual budgets are set by the Council in the context of the Medium-Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Regulations.

A robust process of financial monitoring is in place. Budgets are regularly reviewed; the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported on a regular basis to the Management Team, to the Council's Committees, and to full Council. Closer monitoring and appropriate action are taken where there is an indication of a likely variance against budget.

In 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) updated its best practice guidance on delivering good governance. As a result, during the year, the council adopted of Code of Corporate Governance which outlined several behaviours and actions which underpinned the supporting principles. This document should be read in parallel with that evidential baseline.

The Council's has adopted a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks. A corporate Risk Management Group (RMG) has been established to assist with the management of strategic risks.

The Authority's Risk Management Policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, service managers have identified their respective operational risks and have recorded these on GRACE.

Internal Audit has provided its annual report to provide an independent and objective opinion on the effectiveness and operation of the internal control framework noting control levels to be moderate. Whilst some reports have been issued during the year with limited assurance, steps are being taken to address the issues arising.

The Council has an objective and professional relationship with government agencies and statutory inspectors. During the year, an action plan was developed in response to the findings of the Local Government Association on its review of member-officer relations.

The Council was inspected by the Investigatory Powers Commissioners Office (an on-site inspection) in February of 2020, and as a result our systems were noted to be satisfactory and there were no adverse comments.

The Planning Advisory Service has also assisted the council with an investigation of a complaint during the year with respect to the Planning Service, and likewise reported on its findings.

During the autumn of 2019, the council was the subject of an investigation by the Marine Management Organisation into its sand winning operations with the outcome of this investigation due to be concluded in 20/21.

Council services are delivered by trained and experienced people. Posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme. In addition, the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control. The authority also has a set of core competencies which outline the expected behaviours of employees.

The Authority has a zero-tolerance policy towards fraud and corruption. The Council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially. The council has a shared Corporate Fraud Team with Preston City Council and regular reporting was instigated during the year on the service reporting on the outcomes of its work to elected members.

The Authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

COVID 19

On 3 March 2020 the first meeting was held of the Lancashire Resilience Forum to agree a Lancashire-wide response to the emerging health crisis. This resulted in the Lancashire Resilience Forum establishing a command structure for Lancashire for the crisis which has several themes including intelligence and advice, warning and informing, test and trace, adult social care, logistics, death management, business continuity, human aspects, education and early years and faith. The Council's senior managers played a lead role within each respective area ensuring that a local response was put in place.

This involved mobilising the council's workforce to begin to move from 'business as usual activity' to emerging new priorities such as the humanitarian response through the establishment of a Community Hub through to a system of administering grants to the business community. Whilst the financial year was nearing an end by the time this work was instigated, much was achieved by year-end including the establishment of a Community Hub, which was established to support those on the NHS shielding list and the vulnerable.

The council provided sound leadership during the crisis with the ability to move resources around to ensure that it had the capacity to respond. Teams whose usual work had ceased were moved into new areas of activity, with much achieved through agile working. For example, a dedicated call centre for the Community Hub was operated remotely by staff working from home with the necessary IT solutions put into place to enable this. This was operated not only in usual business hours, but also during the evenings and weekends.

The council was also particularly fleet of foot, by in mid-March, having agreed an approach to how decision-making would take place during the crisis. At the Special Council meeting delegated powers were given to the Chief Executive, Directors and Heads of Service to take decisions, in consultation with leading members, during the crisis. This meant that the council was able to respond to issues far in advance of the eventual enabling legislation introduced by Central Government with followed several weeks later.

Review of effectiveness

The Council supplements the mandatory external audit judgements by assessing itself against the good practice elsewhere. This, together with the Council's own performance management framework, provides the evidence needed to ensure a culture of continuous performance improvement. The Council also conducts satisfaction surveys of both residents and employees to use as a further gauge to measure success.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the Authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to, in accordance with the Public Sector Internal Audit Standards, to produce an annual report to provide an overall opinion on the adequacy and effectiveness of the authority's framework of control, risk management and governance to evaluate the effectiveness. Whilst some reports have been issued during the year with limited assurance, steps are being taken to address the issues arising.

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group, which comprises the Monitoring Officer and Director of Resources, Section 151 Officer, Head of Governance and the Head of Internal Audit, has been given the responsibility to annually review the corporate governance framework and to report to Audit and Standards Committee on the adequacy and effectiveness of the Code and the extent of compliance with it and its work is referenced above.

During 2019/20, the Audit and Standards Committee kept under review how issues identified in the previous annual governance statement had been resolved. Two actions remain outstanding due to the interruption caused to business due to the COVID 19 pandemic and as a result have been translated into this year's action plan.

The review of effectiveness is informed by the work of the Directors and the respective Heads of Service within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Group also receives assurance statements on an annual basis covering each of the Council's service heads which asks the managers to evaluate compliance with key corporate procedures. The Corporate Governance Group reviews these statements made by the respective Service Heads taken together with external assurance sources such as the external auditor's Annual Audit Letter and its ISA 260 report to those charged with governance...

Internal Audit has carried out an annual programme of reviews as approved by the Audit and Standards Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the Authority's Internal Audit service.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit carries out an annual review of the risk management framework in accordance with the terms of the Risk Management Policy.

We have considered the implications of the result of the review of the effectiveness of the governance framework and system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is set out in the priorities on page 3 of this statement.



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INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED SERVICE	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	11
ANNUAL FRAUD REPORT 19/20			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.

As responsibility for Housing Benefit fraud investigation passed to the Department for Work and Pensions (DWP) on 1st June 2015, the Council made a decision to partner on a Corporate Fraud Team, hosted by Preston City Council and shared between Preston, Lancaster and Fylde Councils. There is a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Council Tax Support, Council Tax, Business Rates and other areas of fraud committed against the authority.

The Corporate Fraud, or Corporate Enquiry Team (CET) as it is also known, also works in partnership with the Housing Department (Lancaster) and other Social Housing providers to investigate tenancy fraud.

This report details performance and counter fraud activity undertaken by the CET during 2019/20 in this specialist area of work.

SOURCE OF INFORMATION

Internal

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

No decision required. Members are recommended to note the content of this report, relating to the counter fraud activities of the Corporate Enquiry Team during financial year 2019/20.

FURTHER INFORMATION

Contact: Haley Garstang, Corporate Fraud Manager. Tel: 01772 906388 Email: h.garstang@preston.gov.uk

OBJECTIVES

The objectives of the Corporate Enquiry Team are to:-

- Protect public funds
- Undertake fraud prevention measures
- Detect and stop fraud
- Increase fraud awareness
- Implement sanctions in accordance with Council prosecution policies
- Ensure that investigations comply with the regulatory environment
- Recover properties from fraudsters to enable re-housing of those identified as most in need of social housing
- Encourage a strong culture of good performance in relation to cost
- Promote the principles of fairness, equality of opportunity, social inclusion and poverty reduction through service provision
- Embrace partnership working to enable the delivery of an excellent service, whilst achieving savings based on economies of scale, reductions in duplication and financial savings to the authority

STAFFING

Effective from 1st June 2015, the Corporate Enquiry Team consists of five staff, including a manager, two investigators and two administrative officers. These staff are employed by Preston City Council and shared between the three authorities, providing Fylde with full time equivalent (FTE) staff resources of a Manager (0.2), Investigators (0.3) and an Administrative Officer (0.4).

SHARED SERVICES

Preston City Council made a bid for corporate counter fraud funding from the Department for Communities and Local Government (DCLG) based on a shared service with Lancaster City Council and Fylde Borough Council and was initially awarded £125,750 to help fund the costs of the new service. This team replaced the former benefit fraud team that previously operated between the three councils.

PARTNERSHIP WORKING

The Corporate Enquiry Team strives to prevent and detect as much fraud against the Council as possible, working with outside agencies such as DWP, HM Revenues and Customs, Police and Immigration where appropriate. Joint working with the Department for Work and Pensions on cases involving Council Tax Support and national benefits has re-commenced on 29th April 2019.

The team has an excellent working relationship with Lancashire Police, participating in Operation GENGA, a Home Office led multi-agency operation to help tackle serious and organised crime. This demonstrates our commitment to tackle fraud on a larger scale and other related crimes in partnership with external agencies.

The Corporate Enquiry Team are active members of NAFN (National Anti-Fraud Network). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers;
- Acting as the hub for the collection, collation and circulation of intelligence alerts;
- Providing best practice examples of processes, forms and procedures.

The team are also members of the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre in order to share best practice and receive information on counter fraud initiatives. The team works closely with Lancashire and Greater Manchester Local Authorities and meets regularly with other counter fraud practitioners to discuss common counter fraud issues and best practice.

PERFORMANCE

From 1st April 2019 to 31st March 2020 the Corporate Enquiry Team found overpayments totalling £59,093.51. A full breakdown of these overpayments is included at Appendix 1 of the report.

The team has introduced an additional methodology to clarify counter fraud performance. When a claim for an allowance, discount, reduction, benefit or exemption ends or reduces as a result of an intervention by the CET,

the value of the intervention is not just the amount of any overpayment that has occurred. It is recognised that there is also a “future” saving, resulting from preventing further incorrect payments being made.

In these cases the weekly amount of reduced entitlement that is applied following a counter fraud intervention is multiplied by 52. It is reasonable to believe that the award would have continued for an average of one year, had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group.

The weekly figure for Fylde Council is £920.88, providing estimated “future” savings for 2019/20 of £47,885.76. It should be noted that “future” savings can only be estimated, but it helps to demonstrate additional benefit to the Council of undertaking counter fraud work.

Performance data is detailed in Appendix A to this report.

A Management checking regime is in place, structured to monitor performance and compliance with legislation. This process includes:-

- 1-2-1’s with all fraud staff at least three times a year to discuss the officer’s full caseload, giving advice and direction, identifying inactive cases, together with any training needs;
- all Interviews Under Caution are reviewed before prosecution is considered;
- a full management check is conducted on all sanction cases; and regular checks are undertaken of fraud officer’s pocket notebooks.

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). No surveillance has been undertaken Fylde during 2019/20.

Covid19 had a significant impact on the team’s operations, from February 2020 all formal action was suspended. The team was unable to undertake formal interviews under caution, visit members of the public (witnesses, suspects etc) or pursue criminal proceedings due to the pandemic. The team has assisted the Finance and Audit Teams who have been administering the distribution of COVID19 support grants to businesses under the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund introduced on the 17th March 2020. This work included investigating potentially fraudulent claims, both pre and post-payment.

IMPLICATIONS

There are no direct financial implications arising from this report. However, the Corporate Enquiry Team has generated savings for the Council from their corporate fraud work, and delivers value for money in this area.

From 1st April 2019 Fylde Council is part of a pilot involving Lancashire authorities pooling Business Rates which allows for 75% of the rates they collect to be retained locally. As such, the Council recognises the impact that good collection of local taxation has on finances and the CET seek to ensure that income is maximised by dealing with fraud in the system.

IMPACT STATEMENT

The Benefits Service has a major impact upon the wellbeing of the more vulnerable members of the community. The Council is committed to protecting the gateway to both Benefits and Council Tax Support, with a service that is accessible to everyone in the community; ensuring that customers receive all the allowances to which they are entitled. As an essential part of this service provision, the prevention and detection of fraud remains high on the Council’s agenda.

Partnership working with the Police and other external agencies demonstrates our commitment to tackle fraud on a larger scale and demonstrates good governance.

Haley Garstang Corporate Fraud Manager	Tel. 01772 906388	Customer Services Directorate
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APPENDIX A

Preston Counter Fraud Activity Performance 2019/20

	Year	Target	Achieved
Overpayments	2019/20	£45,000	£59,093.51

Financial Source	Overpayments Identifid	Weekly Savings (estimated “future” savings)
Council Tax Reduction Scheme	£320.90	£20.23
Housing Benefit	£337.05	£48.15
Council Tax	£6,335.13	£173.50
Business Rates	£52,100.43	£679.00
Totals	£59,093.51	£920.88 (X52 = £47,885.76)

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	12
UPDATE ON THE STRATEGIC RISK REGISTER			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

This Information item gives a progress update on the risks contained within the Strategic Risk Register (SRR). The SRR was presented to the Audit and Standards Committee in June 2019 and detailed the risks alongside any existing control measures. The register also contained details of further actions which were planned or in progress to further mitigate the residual risk level.

The colour coding of the risk scores are as follows:

Green Risks = Low Risks

Yellow Risks = Medium Risks

Red Risks = High Risks

Since June 2019, a new risk has been added to the register – COVID 19, with a residual risk score of Yellow (9) after taking into consideration the mitigation in place. All other changes to the register have been highlighted in red and include additional actions to mitigate risks or additional controls which have been introduced. This residual risk score has been amended where necessary to reflect the changes.

All remaining actions are in progress and an update will be provided to the Committee at a future meeting.

SOURCE OF INFORMATION

Strategic Risk Management Group

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

The Audit and Standards Committee Terms of Reference states that the committee monitors the effective development and operation of risk management in the council. This report supports the Committee in undertaking this role.

FURTHER INFORMATION

Contact: Dawn Highton 01253 658413

Fylde Council - Strategic Risk Register 2020-21.

Risk	Risk Description	Inherent Risk Score	Existing Control Measure	Existing Control Measure Description	Residual Risk Score	Action Plan Title	Action Plan Description	Action Date	Target Risk Level
Commercial Strategy	Failure to embrace Commercial Strategy	16	Member approval of Commercial Strategy	Member approval and support of the Commercial Strategy	12	Member training	Member training to raise awareness of opportunities and risks / developing a commercial culture and appetite	31/03/2021	4
						Review and monitor commercial outcomes	Establish SMART measures and reporting mechanism	31/03/2021	
						Commercial schemes	Identify schemes which are commercially viable and opportunities to maximise income streams (existing and new)	31/03/2021	
Enforcement	Increased pressure on enforcement resource in relation to licensing / PSPOs / beggars / Travellers / planning issues	9	Enforcement activity	Limited enforcement activity on high profile areas	9	Enforcement Group	Enforcement officers from across the council establish a network / group to share ideas and resource including officers 'out and about' who can report matters	31/03/2021	4
			Additional funding identified	Additional funding identified for BBQ enforcements		Enforcement Team	Explore options for a dedicated Enforcement Team incorporating all aspects of enforcement. As a minimum regular liaison between enforcement roles.	31/03/2021	
			District Enforcement	District Enforcement (private environmental crime specialists), patrolling any area of land that is open to public access, including areas such as town centres and environmental hotspots. The Environmental Crime Officers are specialists in their field and will issue an FPN (fixed penalty notice) to anyone they observe, or have evidence to support, has committed an environmental crime concerned with littering or dog control.		Enforcement Policy	In light of the COVID pandemic the Enforcement Policy is to be reviewed taking into consideration the views of the Town Centre Working Group and the Chairs / Vice Chairs of the Planning Committee	31/03/2021	
			Inspections / Liaison	Regular inspections of Hardhorn Travellers Site and liaison with residents		Environmental Protection Team	New structure within Environmental Protection Team however roles are still to be filled	31/03/2021	

						Legal Action	Consideration of the commencement of legal action in instances whereby enforcement has not been successful and the evidential and public interest tests are met	31/2/2021	
Fylde Council / Lancashire County Council	Potential for a unitary council / LCC dissolve during 20/21. White paper expected Autumn 21	9	Consultations	Participation in consultation process	6				6
			Engagement	Engagement with Lancashire Leaders discussions and dialogue with potential partners.					
ICT Systems	Failure to support Council priorities through ineffective ICT systems	16	ICT Strategy	ICT Strategy in place	9	Review of the current systems	A strategic group has been established which is led by the two Director's together with the Section 151 Officer. Work has been undertaken on the procurement of some lower level ICT systems such as an estates management system and a procurement exercise is underway for a new planning and building control system	30/09/2020	6
			Digital Transformation	Digital Transformation agenda in place		Network resilience / capacity	To undertake a review to ensure that the Council's reliance and capacity arrangements meet future needs.	31/03/2021	
Infrastructure	Lack of infrastructure in local areas to meet residents needs	9	Local Plan	Local Plan approved	4				4
			Planning Conditions and S106 Agreements	Planning Conditions and S106 Agreements		No Actions needed - Risk at acceptable level			
			Relationships / Consultations	Respond to consultations regarding future changes which impact upon residents					

LCC Funding Cuts	Funding cuts impacting upon FBC residents	12	Horizon scanning	Keep abreast of developments and the impact it may potentially have on local residents	12	No Actions needed - Risk at acceptable level			12
			Service delivery	Ensure that FBC has a responsive / flexible services to meet the changing needs					
Management of key assets	Failure to manage council owned key assets	12	Asset Management Strategy	Asset Management Strategy	6	No Actions needed - Risk at acceptable level			6
			Experienced Estates Officer	Estates officer in post					
			Commercial Strategy	Commercial Strategy					
Procurement	Failure to achieve value for money / non compliance with Contract Procedure Rules / lack of corporate co-ordination / missed opportunities	9	Details of capital expenditure in committee reports	Details of capital expenditure in committee reports	6	Procurement Strategy	Development of a procurement strategy	31/03/2021	4
			External Audit opinion	External Audit favourable value for money opinion		Establish a cross service procurement group	Procurement Group to review FBC's procurement processes to include Strategy / Guidance Use of the Chest Compliance with Standing Orders / Regulations Value for Money Contracts Register	31/03/2021	
			Procurement officer in post	Dedicated Procurement Officer role within the Governance Team					
			Job Evaluation process	Job Evaluation process		Recruitment Policy	Development of Recruitment Policy to standardise the process incorporating a review of job descriptions and personnel specifications	31/03/2021	

Recruitment / Succession Planning	Failure to have a skilled workforce to deliver council priorities	16	Apprenticeships	Use of apprentices throughout the authority	12	Apprentice Strategy	Development of an Apprentice Strategy	31/03/2021	6
			Appraisal process	Annual appraisal process		Review and rebrand the Competency Framework (incorporating corporate values)	Review and rebrand the Competency Framework (incorporating corporate values)	31/03/2021	
			Competency Framework	Core competency framework					
COVID 19	Failure to react to the changing service demand due to the recovery of COVID 19 (incorporating our role to support employees / the community / businesses / financial impacts)		Government guidance	Adherence to both national and LRF guidance	9	Guidance	Guidance to be kept under continuous review and appropriate actions taken	31/03/2021	
			Community Hub	Setting up of Community Hubs to support the vulnerable in society		Community Hub	Community Hub to remain operational until advised to cease service by Government / LRF	31/03/2021	
			Business Support	Delivery of both the Business Support and Discretionary Grant to support the local economy and advisory visits and information provided to businesses upon re-opening		Business Support	Continue to provide reactive support to the business community in light on any new regs / guidance from Govt	31/03/2021	
			Employees	Staff advised to socially distance as far as practicable and to work from home where possible. Risk Assessments undertaken on buildings and Health & Safety measures implemented		Employees	Keep under review any guidance / feedback etc to ensure that employees feel confident to return to the workplace.	31/03/2021	
						Employees	Undertake a review of working practices going forwards and establish proposals / applications for continued home working to be assessed by the CEO / Directors.	31/03/2021	
			Communications	Use of all forms of media coverage to enforce key messages to officers , members and the wider public and business community		Communications	Keep guidance / regulations from govt / professional bodies / partner agencies under constant review to ensure key messages are relayed as appropriate.	31/03/2021	

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	23 JULY 2020	13
CORPORATE GOVERNANCE ACTION PLAN UPDATE			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

An update of the Corporate Governance Action Plan is attached to this report.

SOURCE OF INFORMATION

Corporate Governance Group

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

Updates to the action plan are brought to committee throughout the year.

FURTHER INFORMATION

Contact Tracy Manning, tracy.manning@fylde.gov.uk 01253 658521

INFORMATION NOTE

Corporate Governance Action Plan Update

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
Implement revised staff induction programme	Alex Scrivens	Using the intranet we have created a dedicated page to cover all areas of the induction process http://intra.fylde.gov.uk/induction . Feedback received has been extremely positive, having all details / links in the one place and readily available online.	Completed	30 th September 2019
Raise awareness of probity policies through team briefs (on-going throughout the year)	Tracy Manning in consultation with the Corporate Governance Group	A series of 7 minute briefings have been drafted, the first two of which are now available on the staff intranet. http://intra.fylde.gov.uk/resources/7-minute-briefings/ The status of the action is ongoing, as the intention is to add further briefings over the coming financial year and beyond.	Ongoing	31 st March 2020
Strengthen communication regarding core competencies through electronic message board, intranet and internet	Alex Scrivens	We have used TV screens in various staff break-out rooms promoting comms in general, including core competencies. More so on the intranet producing articles and blogs about culture and the core competencies. We have updated our Customer Care Policy to include competencies in relation to response times for external customers. Further to the above, managers across the organisation reviewed the core competences and recommended that a refresh should be carried out. A piece of work is therefore being prepared involving staff from all service areas to review what these should look like in 2020 in order to create a more modern and simplistic set of core competencies.	Completed Further work involved in 2020	30 th June 2019

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
Re-launch the Project Management Framework and consider an appropriate framework for compliance monitoring	Alex Scrivens	The Performance Management Framework was been updated to reflect the accurate picture of the performance reporting process. Previously had references to legacy committee systems and reports. This now also includes elements of the statutory requirements of the Corporate Plan in relation with the MTFS. PMF is further addressed in the 20/21 Corporate Governance Statement Action Plan.	Completed On-going	30 th NOV 2020
Delivery of Project Management training		The methodology has been reviewed again, more streamlined and adaptable to Fylde's needs, this has been promote via the intranet and advertised as a corporate recommendation and support offered.	Completed	28 th Feb 2020
Update Risk Management Strategy	Dawn Highton	The updated Risk Management Strategy will be reported to the July 2020 meeting of Audit & Standards Committee.	Completed	23 rd July 2020
Continue to embed Project, Partnership, Operational risks through the use of GRACE	Dawn Highton	Officers have been trained in operational risk management using the GRACE software, the training was well received and is embedded. Work still required in projects and partnerships.	Completed Ongoing	31 st March 2020
Delivery of risk management training	Dawn Highton	Delivery of risk management training is on-going throughout the year.	Ongoing	31 st December 2020
Review the Council's Ethical Standards Arrangements against best practice recommendations made by the Committee on Standards in Public Life	Tracy Manning	An initial report was considered by committee on 19 September 2019. A further report will be brought to committee either at the September or November 2020 cycle of meetings in regards to the complaint handling process, together with the outcome of consultation with Town and Parish Councils.	Ongoing	12 th November 2020
FURTHER INFORMATION AVAILABLE FROM Contact: Director of Resources				