



Agenda

Audit and Standards Committee

Date:	Thursday, 13 June 2019 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
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, Paul Hayhurst and Sally Nash.</p>

	PROCEDURAL ITEMS:	PAGE
1	Declarations of Interest: Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	Confirmation of Minutes: To confirm the minutes, as previously circulated, of the meeting held on 25 April 2019 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 23(c).	1
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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	13 JUNE 2019	4
INTERNAL AUDIT ANNUAL REPORT 2018/19			

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 2018/19 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 PSIAS 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. I can confirm that the arrangements are of a good standards as detailed below:

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. During 2018/19, 87% of the reviews undertaken were awarded either a Substantial or Moderate assurance rating. Any identified areas for improvement are agreed with senior management and are monitored to ensure they are effectively implemented.

Risk Management – the Council's arrangements were strengthened during 2018/19 by the introduction of the GRACE risk management system. Extensive training was delivered to Officers and will continue during 2019/20.

Governance – Internal Audit undertake a rigorous review of the effectiveness of the Council's governance arrangements and any identified areas for improvement are included within the Annual Governance Statement Action Plan. This review has confirmed that the Council's Governance Framework remains effective.

INTERNAL AUDIT SERVICE

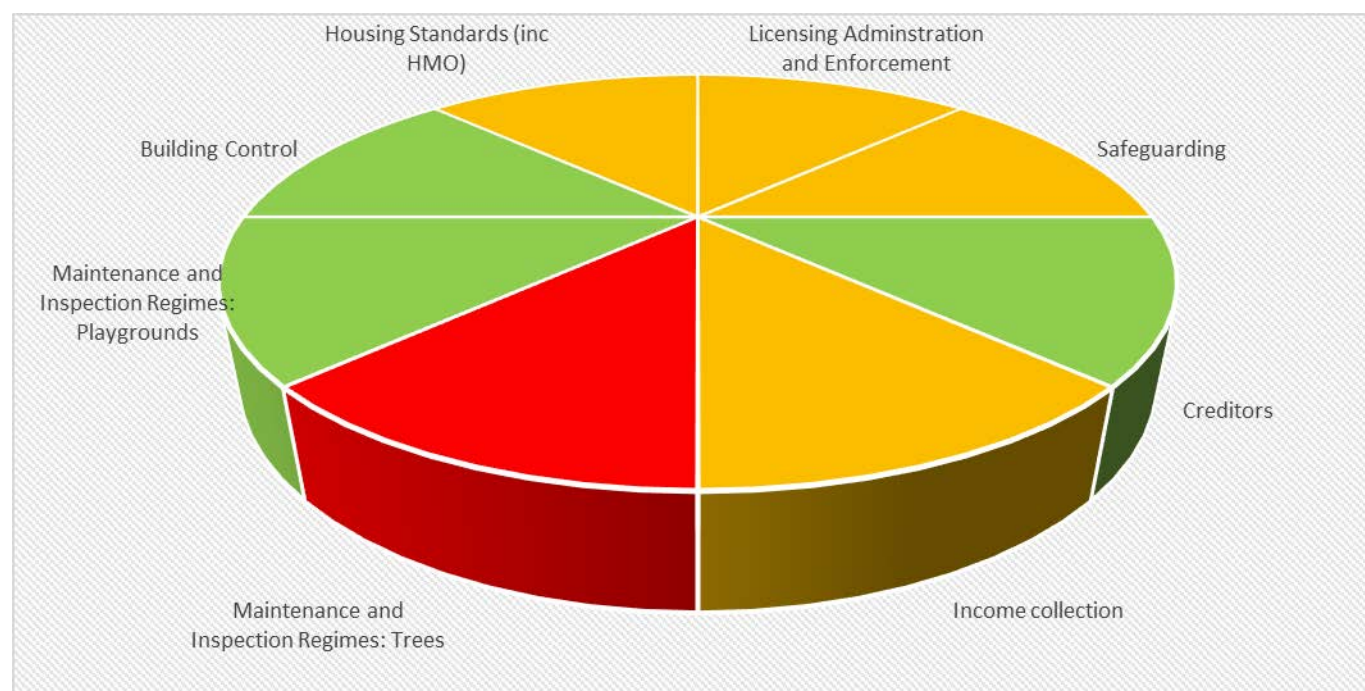
3. Internal Audit has always strived to provide, quality, responsive, efficient and cost effective service and pursues a policy of continuous improvement. Whilst its approach focuses on the extent to which managers have effective controls in place to mitigate their operational risks, audit work also specifically attempts to identify any opportunities for reduction in the level of controls in operation and to streamline processes.
4. The 2018/19 Audit Plan (6 months) 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.

INTERNAL AUDIT PLAN 2018/19 (6 month)

5. **Appendix A** to this report provides a detailed account of the individual audits undertaken during 2018/19. 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.
6. 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

7. A total of 8 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:



8. The vast majority of reviews were awarded either a substantial or moderate assurance rating. Of the 8 systems reviewed during 2018/19, only 1 received a limited assurance rating. The findings of this review was accepted and we will continue to work with the manager to ensure the agreed actions are fully implemented.
9. **When the individual ratings are aggregated, it is our conclusion that these opinions should provide the Committee with sufficient assurance regarding the effectiveness of the authority's control environment.**
10. 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.

INTERNAL AUDIT PERFORMANCE

11. Audit findings have been reported in detail to the senior managers and directors for each service area. As detailed above we have been able to provide assurance through 8 individual audit engagements as well as other pieces of work which have not resulted in an assurance opinion. These are all included within the summary at Appendix A.

Management response to Audit Findings

12. In totality, there were 96 actions emanating Internal Audit's work which were due to be implemented by the 31st March 2019. We have been working closely with senior officers to establish the current status of each action and can now confirm the following:

Total number of actions due to implemented by 31 st March 2019	96
Number of actions implemented in full	85
Number remaining outstanding – revised dates agreed	11
Percentage implementation rate (target implementation rate – 90%)	88.5%

13. The outstanding actions relate to actions emanating from the following Internal Audit Plans:

2016/17 4 actions

2018/19 7 actions

Members can be assured that all of the 11 outstanding actions are currently in progress and realistic revised implementation dates have been agreed for each action. We will continue to work with managers until they are fully implemented.

14. Furthermore, Internal Audit Progress reports presented to the Audit and Standards Committee in September and January will contain information regarding the implementation of agreed actions from reviews which have been awarded a limited assurance rating.

Customer Satisfaction

15. Customers are asked to complete a satisfaction survey as the Final Report is issued. During 2018/19, this process was reviewed and a different set of questions were established. The mechanism for collating this data was also amended with the use of Survey Monkey being introduced.

16. The results from 2018/19 indicate an upwards trend in customer satisfaction as highlighted in the table below:

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

QUALITY AND IMPROVEMENT ASSURANCE PROGRAMME

17. 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.

18. 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.

19. An update on the action plan arising from the external assessment in December 2016 is attached at **Appendix B**. This shows that 12 of the 15 actions are now complete. One action is on-going and the remaining two have been carried forward to 2019/20 and are included within the PSIAS Action Plan 2019 table at **Appendix C**.

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	May 2019

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
2018/19 Internal Audit Plan	September 2018	Audit office, Town Hall

Attached documents

Appendix A – Summary of Audit Work 2018/19

Appendix B – PSIAS Action Table

Appendix C – PSIAS Action Plan 2019

Appendix A – Summary of Audit Work 2018/19

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date
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	N/A	N / A	N / A	N / A
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	N/A	N / A	N / A	N / A
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 2018/19 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.	N/A	N / A	N / A	N / A
Licensing Administration and Enforcement	The Licensing Act 2003 places a legal duty on the Council whose main role is to ensure and improve the standards of public safety in respect of license premises, persons and vehicles in order achieve the following four key objectives: <ul style="list-style-type: none"> ▪ The prevention of crime and disorder; ▪ The prevention of public nuisance; ▪ Public safety; and ▪ The protection of children from harm. 	Moderate	Our work has established that the controls in place in relation to the application and renewal of licences is operating effectively and that the 1 st and 2 nd lines of defence are largely reliable. Officers are knowledgeable and experienced and have developed comprehensive policies and procedures, following a rigorous consultation process. All relevant documentation is received prior to licences	9	0	9	0

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date
	The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.		<p>being issued. Our review, however, has highlighted some areas for improvement and these include:</p> <ul style="list-style-type: none"> ▪ The introduction of managerial checks of key administrative processes and information held; ▪ The development and compliance of a pro-active enforcement schedule; ▪ Ensuring that there is a clear separation of duties when taking payments. ▪ 				
Safeguarding	<p>Section 11 of the Children Act 2004 places a duty on key people and bodies to make arrangements to ensure that their functions are discharged with regard to the need to safeguard and promote the welfare of children. The application of this duty will vary according to the nature of each agency and its functions. Fylde as a district Council has specific statutory responsibilities.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Moderate	Our work has established that the Council, largely has sufficient arrangements in place and that the other sources of assurance are operating effectively. The Council has a recently revised Policy and the results of the survey confirmed that office based staff awareness of the Policy and the process to report a safeguarding concern is good. One role of a district council is to ensure that all staff and volunteers are aware of the Safeguarding Policy and that they feel that they have sufficient knowledge in order to be able to recognise signs of abuse or neglect. It is these areas where the current arrangements could be strengthened.	9	4	3	2

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date
Creditors	<p>It is important that the Council maintains an adequate cashflow in order to make payment to suppliers for goods and services requested according to their payment terms, and effective procedures operate to ensure compliance with the Government's Prompt Payment Policy.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Substantial	<p>Our work has established that the controls in place in relation to the ordering of works, goods and services and the payment of supplier invoices are generally operating effectively and that the 1st and 3rd lines of defence are largely reliable. There have been periods over the last 18 months where the Finance Team has seen significant change with experienced staff retiring, the use of temporary staff and operating on fewer resources. However, the appointment of a new Finance Administration Team Manager and Financial Accounting Manager in recent months will help stabilise the team moving forward. Our review, however, has highlighted some areas of improvement and these include:</p> <ul style="list-style-type: none"> Up-to-date documented procedure notes; Purchase orders are raised before the supply of goods and services; The introduction of managerial checks both centrally and departmentally. 				

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date
Income Collection	<p>The Council must ensure the efficient collection of income to be able to finance its operations and provide the most appropriate services to the community. The Council maintains a Customer Service facility to allow customers to make payments in person as well as receiving internet payments, telephone payments and payments via the post. In 2017/2018 the Council received approximately £3.5 million cash and cheque payments via these channels.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Moderate	<p>The Finance Team has undergone a prolonged period of staff changeover that has resulted in a challenging workload and a redistribution of tasks within the team. The Council has recently recruited a new Finance Administration Team Manager (FATM) and Financial Accounting Manager (FAM) that bring with them experience of financial management within a Local Government environment that will stabilise the team moving forward. Our work established that the Council has sufficient arrangements in place for the collection, receipting and banking of Council income however some weaknesses were identified including:</p> <ul style="list-style-type: none"> ▪ The Council's Banking and Cash Handling Procedures requires updating; ▪ The absence of supervisory checks to minimise error or fraud; ▪ The lack of officer awareness of Council fraud policies and procedures. 	7	0	7	0

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date
Maintenance and Inspection Regime - Trees	<p>The Occupiers Liability Act 1957 (Section 2) and 1984 sets out the Council's legal responsibilities to ensure our land and public areas and their immediate surroundings are safe for all visitors.</p> <p>As a landowner the Council owes a duty of care to all people who might be injured by a tree and as such is responsible for the identification, inspection and maintenance of its tree stock spread across the boroughs parks, open spaces, cemetery and amenity woodland.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	LIMITED	Our work has established that the Council does not have arrangements in place to ensure the robust management of its own tree stock. The Senior Arborist is very knowledgeable of the Council's tree stock present within the borough's parks and amenity woodland and has received an appropriate level of training to allow him to carry out his role competently. However much of this knowledge is tacit and exposes the Council to the risk that it is unable to demonstrate that the whole of the tree stock is being effectively managed. Significant weaknesses exist with a lack of a tree management policy, no central record keeping arrangements and no formal inspection and maintenance regime.	12	0	7	5

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date
Maintenance and Inspection Regime - Playgrounds	<p>The Occupiers Liability Act 1957 (Section 2) 1984; and the Health & Safety at Work Act (1974) sets out the Council's legal responsibilities to ensure our land and public areas and their immediate surroundings are safe for all visitors.</p> <p>The Management of Health & Safety at Work Regulations 1999 also recommends that owners and managers of premises should undertake a risk assessment of their facilities including children's playgrounds.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Substantial	Our work has established that the Council has sufficient and well established arrangements in place and that other sources of assurance are operating effectively. A robust inspection and maintenance regime is operational with good central records held within the "play inspections" system to support work that has been undertaken by the team. Formalisation of these procedures within a playground management policy would further strengthen these arrangements and clearly define the Council's responsibilities and priorities.	5	0	5	0
Building Control	<p>The Building Regulations 2010 places a legal duty on the Council to ensure building work carried out in the Borough meets minimum standards and that buildings are accessible and provide a safe and healthy environment.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Substantial	Our work has established that the controls in place in relation to the Building Control Service are operating effectively and that the 1 st line assurance is generally reliable. The service has recently been awarded the LABC Quality Management System (ISO 9001: 2015) accreditation and publicising the achievement of these standards may generate an increase in the demand for the service.	5	2	3	0

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date
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	N/A	N / A	N / A	N / A
Housing Standards	The Housing Team work with home owners, landlords and tenants to improve housing conditions in the private sector. There are minimum standards that apply to all housing and the Council has legal powers to undertake enforcement action under the Housing Act 2004, Energy Act 2011 & the Housing & Planning Act 2016 to instruct landlords to improve and repair their properties.	Moderate	<p>The Council has recently recruited a new Principal Housing Services Officer (PHSO) who brings with her a wealth of experience regarding all aspects of Housing Standards. It is clear that in the short time she has been here that improvements to the Service are being made and that she is formalising the current arrangements. Our work, however, has identified that weaknesses remain including:</p> <ul style="list-style-type: none"> • The lack of a Housing Strategy and associated policies which require updating; • The absence of supervisory checks to ensure consistency; • The lack of any enforcement activity; • The informal approach to inspections in relation to Houses in Multiple Occupation (HMO), immigration and private sector. 	10	0	10	0

Appendix A – Summary of Audit Work 2018/19

Audits undertaken	Audit Approach	Controls Assurance Rating	Key Control issues	Agreed Actions			
				No of agreed actions	Implemented	Not Due	Revised Date

Public Sector Internal Audit Standards Action Table (2016) - Peer Review Assessment

Appendix B

The following points for consideration, whilst addressing issues relating to the Standards will help to develop the Internal Audit Service. Some of these also reflect the views expressed during the interviews conducted with Chief Officers at Fylde Borough Council during the course of the assessment:

PSIAS Ref	No	Point For Consideration	Responsible	Update as at 31.3.19
2000	1	<p>Internal Audit should consider the need for a flexible, less rigid stance in relation to wider ranging corporate issues</p> <p>This will require communication with senior management to enhance their understanding of the value that Internal Audit can add outside of its main assurance work.</p>	Head of Internal Audit	<p>Complete</p> <p>Internal Audit Plan 19/20 includes project team involvement to provide pro-active advice and guidance on internal control, governance and risk management. Internal Audit have also been heavily involved with the implementation of GRACE risk management system to further embed the identification and management of operational risk throughout the authority.</p>
2010 2050	2	Once the assurance framework has been developed, each of the various sources of assurance for each audit activity should be identified in order to help inform the planning process.	Head of Internal Audit	<p>Carry forward 2019</p> <p>Risk assessment used during the planning process contains details of other sources of assurance.</p>

				<p>Individual audit reviews now include the assessment of other sources of assurance identified during the review using the three lines of defence model.</p> <p>Formal assurance mapping exercise to be undertaken during 19/20.</p>
2010 2050	3	Consider identifying opportunities to develop and improve the delivery of the internal audit service through wider networking, relevant courses, CIPFA benchmarking etc. Information on these can come through either existing sources (e.g. IIA) or other corporate subscriptions (e.g. Better Governance Forum)	Head of Internal Audit	<p>Complete</p> <p>Audit team attendance at training events, regular attendance at Lancashire Audit Group (Head of Audit and Computer Audit Group).</p>
2010 2050	4	Consider a more co-ordinated approach between External Audit and Internal Audit at the audit planning stage to share thoughts and ideas as to the content of their respective plans to ensure that maximum benefit from both audit functions is achieved.	Head of Internal Audit	<p>Complete</p> <p>Informal communication channels established with external audit to identify audit overlap</p>
2200 2210	5	When risks are identified at the scoping stage, these should be prioritised according to severity. In addition the associated controls should also be identified and it is these which should be tested rather than performing standard audit tests in order to ensure assurance is provided on current business risks which therefore provide added value to the service	Head of Internal Audit	<p>Complete</p> <p>Risk based auditing implemented using GRACE risk registers from September 2018</p>

		manager.		
2120	6	<p>Fraud risks should be identified at the scoping stage, the controls identified and then tested in order to provide assurance that the risk of fraud is being effectively mitigated.</p> <p>Both recommendations 5 & 6 will be facilitated by the implementation of service risk registers which in turn will benefit Internal Audit in modernising its approach.</p>	Head of Internal Audit	<p>Complete</p> <p>Identification of fraud risks included within each individual audit review and included for testing.</p>
2410	7	The quality review process needs to ensure that all material findings are reflected within the proposed actions.	Head of Internal Audit	<p>Complete</p> <p>Revised working papers and Internal Audit report now in place which clearly identify control weaknesses and report actions.</p>
	8	Consider closer working between Internal Audit and the BPR team in order to ensure that controls are considered at the outset of any new process re-design and the initiative works effectively.	Head of Internal Audit	<p>On-going</p> <p>This would be identified during the annual planning process and included as and when audit input would be beneficial. The plan also contains contingency time to allow for audit input to any new initiatives arising throughout the course of the year.</p>
	9	Further development of the risk management framework within the organisation, specifically the development of service risk registers which would enable the internal audit service to more easily adopt	Senior Management	<p>Complete</p> <p>GRACE risk management system being implemented to identify risks at corporate,</p>

		a modern risk based approach in line with good practice and could facilitate a more directed assessment of assurance which is better linked to the current risks facing the organisation.		project, partnership and operational level.
	10	From observations and feedback, Internal Audit should always aim to ensure that its proposals for actions are relevant, material and risk focused.	Head of Internal Audit	Complete Risk based auditing now being utilised
	11	At the closure meetings, consideration could be given to a single auditor attending in order to avoid a duplication of time and effort, and provide a means of developing the skills of the Audit team members.	Head of Internal Audit	Complete Revised processes now mean that auditor takes responsibility for all aspects of the review including the closure meetings.
	12	Consideration could be given to reviewing the extent of narrative in the introduction within audit reports to streamline this into a more concise, focused report.	Head of Internal Audit	Complete Revised streamlined tabular format report introduced September 2018
	13	Consideration could be given to including a circulation list for each report within the scoping document for each audit	Head of Internal Audit	Complete Now included
	14	Consider putting the criterion of “the need for auditors to be aware of any possible areas of concern” within the Procedures Manual rather than the Internal Audit Charter.	Head of Internal Audit	Carry forward 2019 Procedures Manual to be reviewed during 19/20 to ensure it is reflective of the revised Internal Audit practices now in place

	15	The Head of Internal Audit acknowledged that it is possible for outstanding audit actions to be reported to Audit & Standards Committee prior to Senior Management having had the opportunity to take action. Good practice would be for management always to consider and have the opportunity to comment on these prior to referral to committee.	Head of Internal Audit	Complete New follow up process introduced September 2018 onwards.
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Public Sector Internal Audit Standards Action Plan (2019) – Self Assessment

Appendix C

PSIAS Ref	No	Actions	Responsible
2010 2050	1	Undertake an assurance mapping exercise in order to identify and record all other sources of assurance throughout the authority	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.	Head of Internal Audit

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	13 JUNE 2019	5
REVIEW OF THE 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 therefore, 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. In keeping with the requirements of the QAIP, an external assessment was carried out in December 2016. The review comprised an external validation of the self-assessment. Progress on the actions emanating from the review is included with the Internal Audit Annual

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	May 2019

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 –May 2019

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 IPFF 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 organization / 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
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 though 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			

<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <ul style="list-style-type: none"> ■ 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? 			<p>Internal Audit Charter Signed Declaration of interest Professional Codes of Ethics</p>
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
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: ■ the purpose ■ the authority, and ■ the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?			Internal Audit Charter Purpose Authority Responsibility
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>			<p>Internal Audit Charter</p> <p>Board / Senior Management definition</p>
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</p> <p>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			Reviewed Feb 2019 and presented to senior managers and Audit and Standards Committee
CONFORMS	PARTIAL	NOT CONFORMING	Senior Manager email Audit and Standards Committee March 19 minutes
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:			
■ Individual auditor?			IA Declaration of Interests Form 2018-19 - Jacqui Murray.doc
■ Engagement?			As above
■ Functional?			
■ Organisation?			Internal Audit charter Code of conduct
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			Internal Audit Charter / All reports issued to Directors
CONFORMS	PARTIAL	NOT CONFORMING	BC%20-%20Audit%20Engagement%20Plan.docx#circulation

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 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
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			 <

<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 refers. At Audit and Standards Committee meetings Ad-hoc meetings
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
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 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
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 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 interest 2018-19\IA Declaration of Interests Form 2018-19 - Dean Francis.doc
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
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	Need to update QAIP to reflect current operational arrangements (Action 2)
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</p> <p>Satisfaction survey issued following every review.</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>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>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</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 June 2017.</p> <p>To be included in Annual Report June 19</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 June 19
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> <p>Need to review Audit Strategy (Action 2)</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>To be included within Strategy (Action 2)</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 19/20</p> <p>Priorities agreed with MT and reflected in the timing of the review. Resources included (COL C)</p> <p>Audit plan 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
<p>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?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>			<p>Senior Managers consulted on the risk assessment and comments recorded.</p> <p>All involved with the planning process</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>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?</p> <p>Are consulting engagements that have been accepted included in the risk-based plan?</p>			<p>As part of the planning process</p> <p>Plan includes consultancy / projects etc</p>
CONFORMS	PARTIAL	NOT CONFORMING	
2020 Communication and Approval			
<p>Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?</p> <p>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?</p>			<p>Reported to Management Team and Audit & Standards Committee. March 19 minutes.pdf</p> <p>Minor changes reported in annual report – no significant changes in recent years</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the CAE communicated the impact of any resource limitations to senior management and the board?</p>			Any resource limitations would be discussed with senior managers and Audit and Standards Committee
CONFORMS	PARTIAL	NOT CONFORMING	
2030 Resource Management			
<p>Does the risk-based plan explain how internal audit's resource requirements have been assessed?</p>			The Plan Allocations sets out the number of days available including both internal and external resources
CONFORMS	PARTIAL	NOT CONFORMING	
<p>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?</p>			Timings of audit reviews discussed with Heads of Service and recorded on Risk Assessment
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 Memo Performance Management included within Internal Audit Plan annually as a review.</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</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
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 included within 2019/20 Internal Audit Plan To be included within the Risk Management review / 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>New Fighting Fraud and Corruption Locally strategy compliance –reported to November 18 Audit and Standards Committee</p> <p>Individual Audits specifically review identified fraud risks 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>			Engagement plan clearly sets out the role of Internal Audit within consulting engagements
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>			<p>This has not occurred as significant consultancy work is included within the IA Annual plan</p>
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>To be incorporated into revised Audit Procedure Manual (Action 2)</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 appropriate way.			
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 auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?</p>			<p>Red and amber risks reviewed and actions prioritized according to the level of control</p> <p>Actions prioritized by date order. 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
<p>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?</p> <p>When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?</p>			<p>All material facts disclosed.</p> <p>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.</p> <p>All Audit reports are issued to Directors and External Audit. Included within Quality Checklist</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).</p> <p>Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?</p>			<p>Each identified risk is awarded an assurance opinion on the RCE. (col k) These support the overall assurance opinion awarded for the review</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>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?</p>			Not occurred but would do where necessary
CONFORMS	PARTIAL	NOT CONFORMING	
<p>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?</p>			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
2420 Quality of Communications			
<p>Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?</p>			<p>Report is succinct and concise, confirmed for factual accuracy with the auditee.</p> <p>Satisfaction surveys issued after each review contain a question about the clarity, style and balance of the report</p>
CONFORMS	PARTIAL	NOT CONFORMING	
2421 Errors and Omissions			
<p>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?</p>			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</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> <p>Based on opinions of individual pieces of audit work undertaken during the year</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<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 (2019 exception due to early production timescale)</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? 			Annual report

CONFORMS	PARTIAL	NOT CONFORMING	
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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
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	13 JUNE 2019	6
APPOINTMENT TO WORKING GROUP			

PUBLIC ITEM

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

SUMMARY

At its meeting on 15 March 2018, the Audit and Standards Committee agreed to set up a working group to review the Constitution. The working group has reported progress to the Committee on 15 November 2018 and 17 January 2019, with amendments regarding remote access agreed by Council at its February 2019 meeting.

The working group still has work to undertake as part of its review of the constitution and therefore, in line with the appointment of other working groups following a local borough election, the Committee needs to formally reappoint the working group.

RECOMMENDATIONS

1. The Committee is invited to confirm the reappointment of the Constitution Review working group

SUMMARY OF PREVIOUS DECISIONS

15 March 2018 – Audit and Standards Committee confirmed the establishment of the Constitution working group.

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. At its meeting on 15 March 2018 the Committee received a report regarding the review of the Constitution.
2. Article 13 of the Constitution directs that “the Monitoring Officer will review the Constitution every three years and seek its formal re-adoption by the Council.”
3. As it was three years since the Council adopted the new Constitution following the referendum to change the system of governance, and therefore it was timely to start the process of reviewing the constitution.

4. The constitution directs the Monitoring Officer to conduct the review. In this regard the Monitoring Officer felt it would be useful to work with members on the review, particularly with the Chairman of Audit and Standards who was in the strong position of being able to draw on his recent experience of chairing Council meetings together Group Leaders.
5. The input of members during the necessary re-writing of the constitution in 2014/15, to reflect the governance change, was invaluable.
6. Consequently the Audit and Standards Committee had established a working group to review the Constitution. The Chairman, as directed by the committee, had liaised with group leaders in terms of membership of the group, with both Councillor Peter Collins and Councillor Roger Small being subsequently included in the membership, with the agreement of Group Leaders.

IMPLICATIONS	
Finance	No implications arising from this report
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
Democratic Services	democracy@fylde.gov.uk	23/05/19

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	13 JUNE 2019	7
DELOITTE LLP AUDIT FEE LETTER 2019/20			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

This information item presents the Audit Fee Letter from Deloitte LLP for the financial year 2019/20.

SOURCE OF INFORMATION

Chief Financial Officer

LINK TO INFORMATION

<https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1084/Committee/23/Default.aspx>

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

The Audit Fee Letter has been prepared by the Council's new external auditors, Deloitte LLP. It summarises the fee levels in respect of their audit work for Fylde Borough Council for the 2019/20 financial year and includes a comparison with the 2018/19 fee levels. The Committee is requested to note the Deloitte LLP Audit Fee Letter for 2019/20 and to provide any comments as appropriate.

FURTHER INFORMATION

Paul O'Donoghue, Chief Financial Officer: paul.o'donoghue@fylde.gov.uk

Tel: 01253 658566

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED SERVICE	AUDIT AND STANDARDS COMMITTEE	13 JUNE 2019	8
COUNTER FRAUD (ANNUAL REPORT)			

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 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 2018/19 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 2018/19.

FURTHER INFORMATION

Contact: Andrew Taylor, Corporate Fraud Manager. Tel: 01772 906013. Email: a.taylor@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 Council and was 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 2018 to 31st March 2019 the CET found overpayments totalling £94,787.28.

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 £1,471.13, providing estimated “future” savings for 2018/19 of £76,498.76. 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 2018/19. From 10th June 2019 the legislation regarding surveillance changes to The Investigatory Powers Act (IPA).

The team undertook two pro-active drives relating to false claims for Small Business Rate Relief (SBRR). The first drive involved inspecting properties claiming relief and identifying empty properties that would not be eligible for relief. The second drive involved working with a Preston based company, Destin Solutions, to use open source data to identify false claims for relief, where the business also occupied undeclared premises elsewhere. These drives contributed to an increase in Business Rates overpayments from £20,883.79 in 2017/18 to £60,374.64 in 2018/19. The CET is now recognised nationally as being at the forefront of business rates fraud investigation and was highly commended for this work in the “Prevent” category of the Fighting Fraud and Corruption Locally Awards in March 2019.

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.

REASONS FOR DECISION

This report is produced for perusal and comment by Members. It provides performance evidence for the Corporate Enquiry Team, in conducting counter fraud activity.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

Not applicable

REASON FOR INCLUSION IN PART B, IF APPROPRIATE

Not applicable

Contact for further information:

Andrew Taylor Corporate Fraud Manager	Tel. (01772) 906013	Customer Services Directorate
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APPENDIX A**Preston Counter Fraud Activity****Performance 2018/19**

	Year	Target	Achieved
Overpayments	2018/19	£45,000	£94,787.28

Financial Source	Overpayments	Weekly (estimated savings)	Savings “future”
Council Tax Reduction Scheme	£12,291.30	£155.42	
Council Tax Benefit	£959.32		
Housing Benefit	£1,492.57	£134.85	
Council Tax	£19,669.45	£400.86	
Business Rates	£60,374.64	£780.00	
Totals	£94,787.28	£1,471.13	(X52 = £76,498.76)

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
OFFICE OF THE CHIEF EXECUTIVE	AUDIT & STANDARDS	13 JUNE 2019	9
STRATEGIC RISK REGISTER 2019/20			

PUBLIC ITEM

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

SUMMARY OF INFORMATION

This report highlights the new strategic risk register for the current financial year. In a slight change to previous years. All risks have been documented along with any existing control measures that are currently in place. In addition, further actions that have been highlighted to further reduce the risk have also been highlighted.

The colour coding is as follows;

Green Risks = 'Low Risks'

Yellow Risks = 'Medium Risks'

Red Risks = 'High Risks'

The 'Residual Risk Score' is the current level of risk, with the 'Target Risk Level' the desired outcome once all the actions have been completed.

SOURCE OF INFORMATION

Strategic Risk Management Group

LINK TO INFORMATION

Appendix A _ Fylde Borough Council Strategic Risk Register 2019.20

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

As per the agreement with the Audit & Standards committee, there will be regular updates on the Risks contained within the Strategic Risk Register.

FURTHER INFORMATION

Contact Gary Marcus, Corporate Support Officer, 01253 658412

Fylde Council - Strategic Risk Register 2019.20

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 deliver the Commercial Strategy	16	Member approval and support of the 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	31/03/2020	4
						Review and monitor commercial outcomes	Establish SMART measures and reporting mechanism	31/03/2020	
						Commercial schemes	Identify schemes which are commercially viable and opportunities to maximise income streams (existing and new)	31/03/2020	
Enforcement	Increased pressure on enforcement resource in relation to licensing / PSPOs / street beggars	9	Enforcement activity	Limited enforcement activity on high profile areas	9	Environmental Protection	Undertake a review of the roles within Environmental Protection to create greater 'on the ground' enforcement	30/09/2019	4
			Additional funding identified	Additional funding identified for BBQ enforcements		Corporate 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	31/08/2019	
						Enforcement Team	Explore options for a corporate Enforcement Team incorporating all aspects of enforcement. As a minimum regular liaison between enforcement roles.	31/03/2020	
Fylde Council / Lancashire County Council	Potential for a unitary council / LCC dissolve during 19/20	9	Consultations	Participation in consultation process	6	No Actions needed - Risk at acceptable level			6
ICT Systems	Failure to support Council priorities through ineffective	16	ICT Strategy	ICT Strategy in place	16	GM / DH to meet with RM / POD to undertake a review of the current systems	Undertake a review of current systems, determine the needs of the authority and identify solutions	31/03/2020	6
			Digital Transformation	Digital Transformation agenda in place					

	ICT systems					POD to meet with RM to formulate an action plan to present to SMT	Action plan to be compiled and presented to SMT	31/03/2020	
Infrastructure	Lack of infrastructure in local areas to meet residents needs	9	Local Plan	Local Plan approved	4	No Actions needed - Risk at acceptable level			4
			Planning Conditions and S106 Agreements	Planning Conditions and S106 Agreements					
LCC Funding Cuts	Funding cuts impacting upon FBC residents	12	Relationships / Consultations	Respond to consultations regarding future changes which impact upon residents	12	No Actions needed - Risk at acceptable level			12
			Horizon scanning	Keep abreast of developments and the impact it may potentially have on local residents					
			Service deliver	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					
New Council	New inexperienced members elected to the Council	15	Briefings	Member / office briefings with SMT / Leadership Board	6	No Actions needed - Risk at acceptable level			6
			Committee Chair Briefings	Regular chair briefings prior to committee meetings					
			Induction programme	Comprehensive induction programme following the election results					
			Governance Structure	Statutory officers in post advising members					
			Member Development Programme	Member Development Programme					
	Failure to achieve value for money / non compliance with Contract Procedure		Details of capital expenditure in committee reports	Details of capital expenditure in committee reports		Procurement officer / training	Continue to develop internal resource / investment in procurement officer	31/03/2020	

Procurement	with Contract Procedure Rules / lack of corporate co-ordination / missed opportunities	9	External Audit opinion	External Audit favourable value for money opinion	9	Procurement Strategy	Review of the procurement strategy and produce easy to use guidance - procurment on a page based on spend.	31/12/2019	4
Recruitment / Succession Planning	Failure to have a skilled workforce to deliver council priorities	16	Job Evaluation process	Job Evaluation process	12	Recruitment Policy	Revise recruitment policy and guide to standardise processes and change to job roles rather than descriptions / include competency based assessment	31/03/2020	6
			Apprenticeships	Use of apprentices throughout the authority		Apprentice Strategy	Development of an Apprentice Strategy	31/03/2020	
			Appraisal process	Annual appraisal process		Review and rebrand the Competency Framework (incorporating corporate values)	Review, rebrand (rename) and reinforce the Competency Framework, incorporating values.	31/10/2019	
			Competency Framework	Core competency framework					