

# Agenda

## Audit and Governance Committee

Date:	Thursday, 11 April 2024 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	<p>Councillor Michael Withers (Chairman)          Councillor Andrew Redfearn (Vice-Chairman)</p> <p>Councillors Peter Anthony, Liz Bickerstaffe, Ellie Gaunt, Joanne Gardner, Paul Hayhurst, John Kirkham, Ed Nash</p>

	<b>PROCEDURAL ITEMS:</b>	<b>PAGE</b>
<b>1</b>	<b>Declarations of Interest:</b> 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.	<b>1</b>
<b>2</b>	<b>Confirmation of Minutes:</b> To confirm the minutes, as previously circulated, of the meeting held on <a href="#">1 February 2024</a> as a correct record.	<b>1</b>
<b>3</b>	<b>Substitute Members:</b> Details of any substitute members notified in accordance with council procedure rule 23(c).	<b>1</b>
	<b>DECISION ITEMS:</b>	
<b>4</b>	<b>KPMG Audit Plan 2023-2024</b>	<b>3-33</b>
<b>5</b>	<b>Internal Audit Charter</b>	<b>34-44</b>
<b>6</b>	<b>Internal Audit Progress Report</b>	<b>45-65</b>
<b>7</b>	<b>Internal Audit Plan 2024-2025</b>	<b>66-82</b>
<b>8</b>	<b>Route to Scrutiny</b>	<b>83-85</b>

Contact: Democracy - Telephone: (01253) 658550 – Email: [democracy@fylde.gov.uk](mailto:democracy@fylde.gov.uk)

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

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## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND GOVERNANCE COMMITTEE	11 APRIL 2024	4
<b>KPMG AUDIT PLAN 2023/24</b>			

### PUBLIC ITEM

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

#### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources (Councillor Ellie Gaunt).

#### PURPOSE OF THE REPORT

The report presents the Audit Planning Report from KPMG for the financial year 2023/24. The report will be presented by KPMG.

#### RECOVERABILITY

This decision is not recoverable because it relates to:

- A recommendation to the council or to any other committee or sub-committee of the council

#### RECOMMENDATION

The committee is recommended to:

1. Consider, comment upon, and note the KPMG Audit Plan Report for 2023/24 which is attached to this covering report.

### REPORT

1. The attached report has been prepared by the Council's external auditors, KPMG. It summarises how they will deliver their audit work for Fylde Borough Council for the year ending 31 March 2024.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	
Efficiency – By spending money in the most efficient way	
Tourism – To create a great place to live and visit	

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

SUMMARY OF PREVIOUS DECISIONS
The Audit Plan is considered each year by the Committee.

BACKGROUND PAPERS REVELANT TO THIS ITEM		
Name of document	Date	Where available for inspection
N/A		N/A

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue, Chief Financial Officer	paul.o'donoghue@fylde.gov.uk	April 2024

**Attached document**

Appendix 1 – KPMG Audit Planning Report for the year ending 31 March 2024

# Fylde Council

## **DRAFT - Report to the Audit & Governance Committee**

**External Audit Plan & Strategy for the year ending  
31 March 2024**

11 April 2024

# Introduction

## To the Audit and Governance Committee of Fylde Council

We are pleased to have the opportunity to meet with you on 11 April 2024 to discuss our audit of the financial statements of Fylde Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach. We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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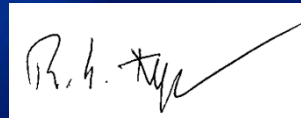
## The engagement team

Rashpal Khangura, CIPFA, is the engagement director on the audit. He has over 20 years of Public Sector audit experience.

Rashpal shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Emma Morgan, Senior Manager, and Adam Mulla, Assistant Manager, with 12 years and 6 years of experience respectively.

Yours sincerely,



Rashpal Khangura

**Director - KPMG LLP**

11 April 2024

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

### Restrictions on distribution

This report is intended solely for the information of those charged with governance of Fylde Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

# Overview of planned scope including materiality

## Our materiality levels

We determined materiality for the Fylde Council financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholders and stability of business environment when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £585k / 65% of materiality driven by our expectations of increased level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons.

## We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £45k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

## Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures, in particular the lack of existing knowledge has led us to reduce our performance materiality as already referenced.

## File review

We will undertake an appropriate prior year file review dependent on the final opinion issued by the previous auditors.

## Council Materiality

Council	
Materiality for the financial statements as a whole	<b>£900k</b> 2% of expenditure
Procedure designed to detect individual errors at this level	<b>£585k</b>
Misstatements reported to the Audit and Governance Committee	<b>£45k</b>

**Council Materiality**  
**£900k**  
 2% of expenditure  
 £45m

# Overview of planned scope including materiality (cont.)

## Timing of our audit and communications

- We will maintain communication led by the engagement director and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in April, 2024 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas;
- Due to the work of previous auditors still on-going and consultations taking place, we will be communicating dates for audit completion at a future Committee; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Given the large amount of consultations happening in regard to the scope and timing of local government audit, this audit schedule may be subject to change.

## Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
<b>KPMG IT Audit</b>	We will work closely with the IT Audit team, as part of our risk assessment procedures.
<b>KPMG Pensions Centre of Excellence</b>	The pensions audit team will perform all planning, risk assessment and substantive procedures over the LGPS account balances. KPMG actuary will review and assess the underlying assumptions within the entity's year-end actuarial report.



# Significant risks and Other audit risks

**Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Fylde Council operates.**

We also use our regular meetings with senior management to update our understanding and take input internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit and Governance Committee.

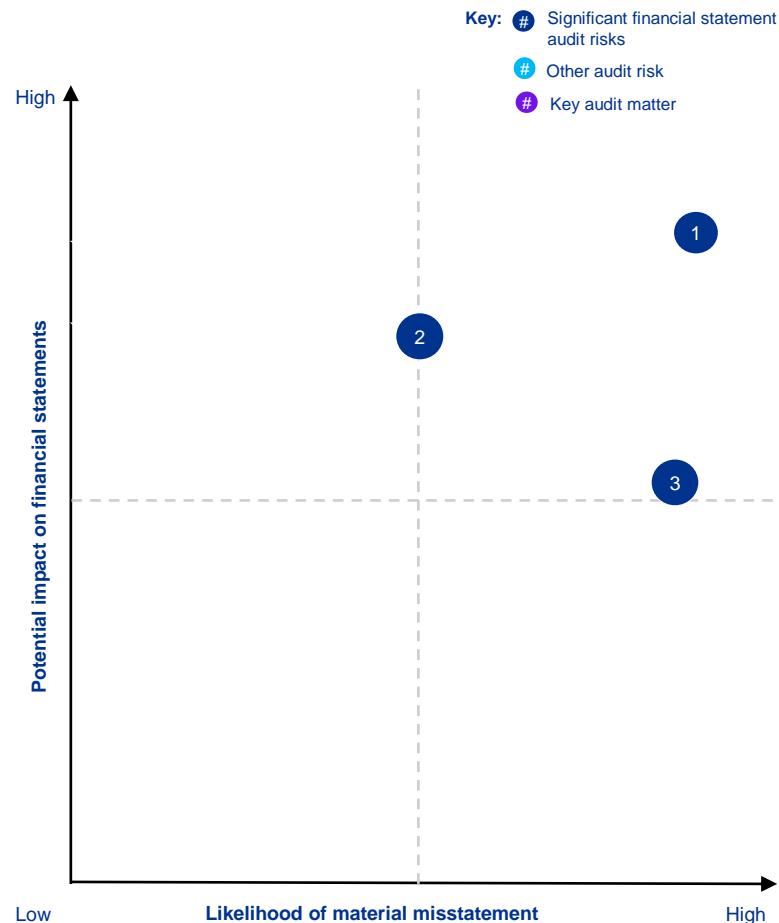
## Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our risk assessment work over this is in progress we will update the Audit and Governance Committee at a later date.

### Significant risks

1. Valuation of land and buildings
2. Management override of controls
3. Valuation of post retirement benefit obligations



# Audit risks and our audit approach

## 1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



### Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the Council's valuer, Jacobs Ltd.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Jacobs Ltd, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings including challenging key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

## 2 Management override of controls<sup>(a)</sup>

Fraud risk related to unpredictable way management override of controls may occur



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

*Note: (a) Significant risk that professional standards require us to assess in all cases.*



### Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk.

# Audit risks and our audit approach (cont.)

3

## Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



### Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



### Planned response

We will perform the following procedures:

- Understand the processes the Council has in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Where applicable, assess the level of surplus that should be recognised by the entity.

# Audit risks and our audit approach (cont.)

## Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition and the nature of expenditure has not identified any specific risk factors.

# Audit risks and our audit approach (cont.)

## Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
<b>Council tax</b>	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
<b>Business rates</b>	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
<b>Fees and charges</b>	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Grant income</b>	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

# Mandatory communications - additional reporting


## Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. [...]. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

## Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

<p>Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily</p> 	<p>We have identified issues that we may need to report</p> 	<p>Work is completed at a later stage of our audit so we have nothing to report</p> 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

# Mandatory communications

Type	Statements
<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 21 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement director and audit staff.</p>



# Value for money

# Value for money

**For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

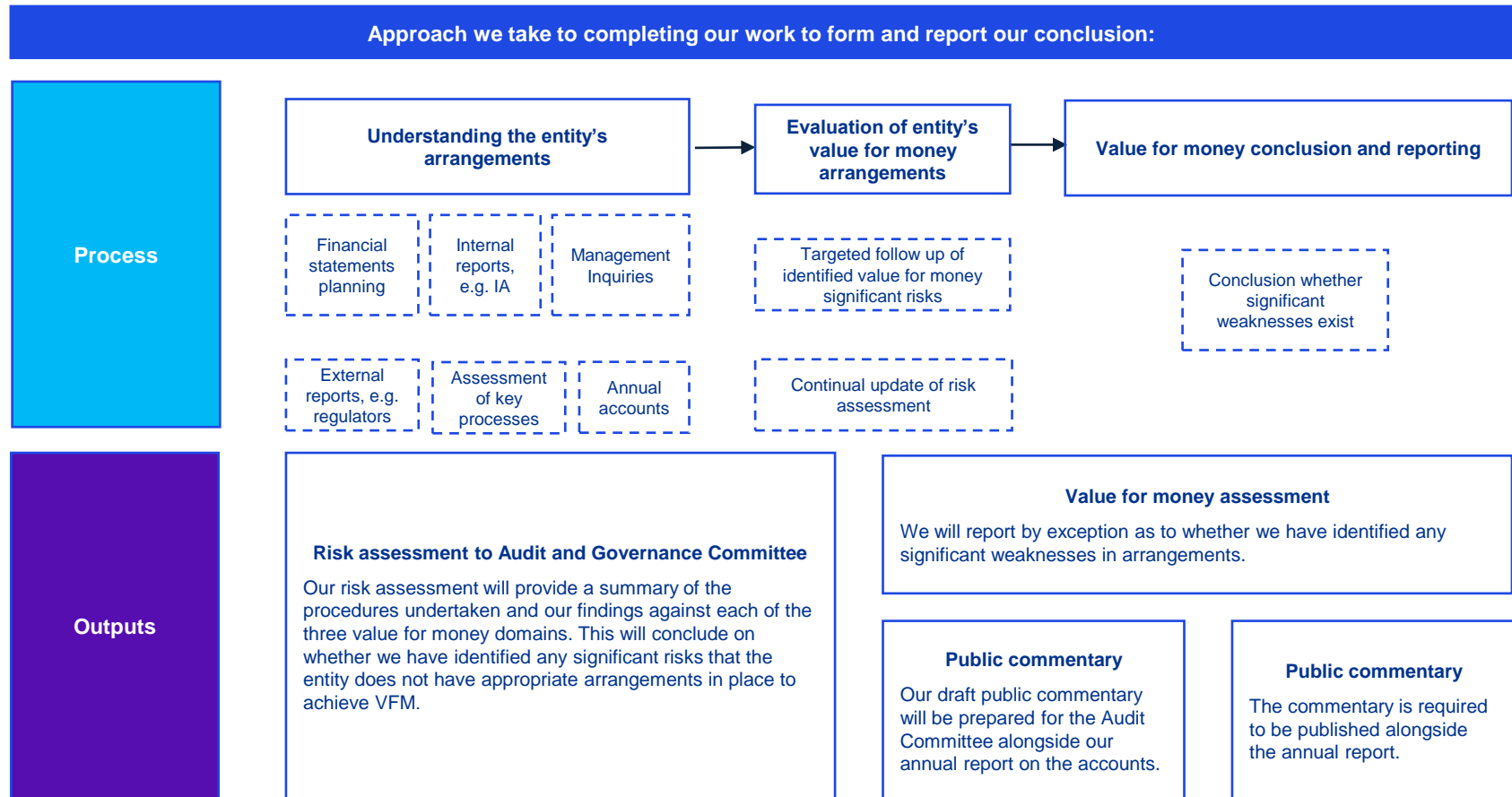
### Governance

*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money



# Summary of risk assessment

## Summary of risk assessment




We have not identified any risks of significant weaknesses from our initial work, however our risk assessment is continuing and we will provide our full risk assessment at the next Audit and Governance Committee.

# Appendix

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# Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.

	<p>Rashpal is the director responsible for our audit. They will lead our audit work, attend the Audit and Governance Committee and be responsible for the opinions that we issue.</p>		<p>Emma is the senior manager responsible for our audit. They will co-ordinate our audit work, attend the Audit and Governance Committee and ensure we are co-ordinated across our accounts and VFM work.</p>		<p>Adam is the in-charge responsible for our audit for the second year. They will be responsible for our on-site fieldwork. He will complete work on more complex section of the audit.</p>
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To comply with professional standard we need to ensure that you appropriately rotate your external audit director.



This will be Rashpal's first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

# Audit cycle & timetable

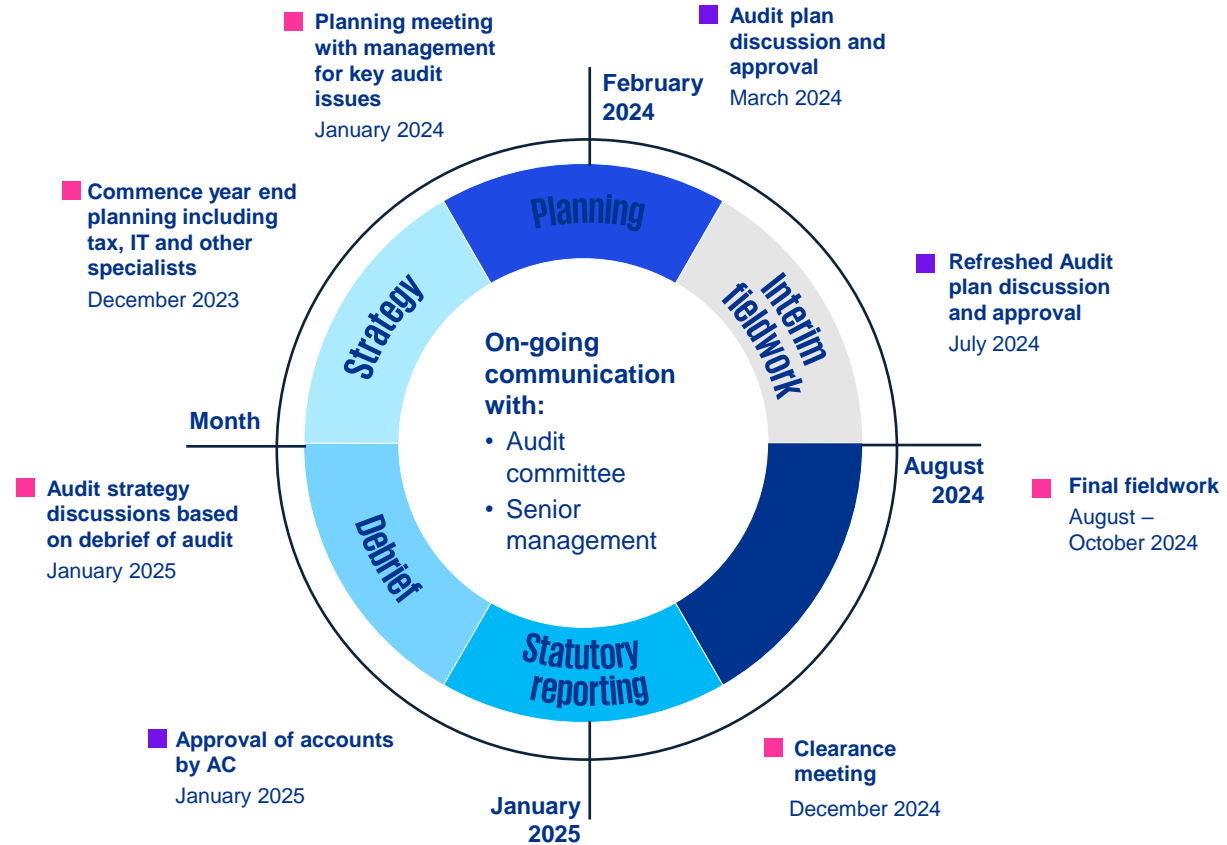
## Our schedule January 2024 – January 2025

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by May 2025 as per the backstop date.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the outgoing auditor has not completed the previous audit and the large amount of consultations happening in regard to the scope and timing of local government this audit **schedule may be subject to change.**



**Key:**

- Timing of AC communications
- Key events

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	141	37*
<b>TOTAL</b>	<b>141</b>	<b>37</b>

\*Scale fee as published by PSAA.

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud). The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Council's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.



# Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

## To the Audit and Governance Committee members

### Assessment of our objectivity and independence as auditor of Fylde Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity [except for those detailed below where additional safeguards are in place].

### Independence and objectivity considerations relating to the provision of non-audit services

#### *Summary of non-audit services*

There are no non-audit services applicable.

# Confirmation of Independence (cont.)

## Summary of fees

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period.

### Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	141
Other Assurance Services	0
<b>Total Fees</b>	<b>141</b>

## Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG LLP

# KPMG's Audit quality framework

**Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.**

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

## ■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

## ■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



## ■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

## ■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

## ■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

# ISA (UK) 315 Revised: Overview



## Summary

**In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.**

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

### What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

### What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

# ISA (UK) 240 Revised: changes embedded in our practices

## Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
<b>Risk assessment procedures and related activities</b>	<ol style="list-style-type: none"> <li>1) Increased focus on applying professional scepticism – the key areas affected are:                             <ul style="list-style-type: none"> <li>• the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence;</li> <li>• remaining alert for indications of inauthenticity in documents and records, and</li> <li>• investigating inconsistent or implausible responses to inquiries performed.</li> </ul> </li> <li>2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud.</li> <li>3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.</li> </ol>
<b>Internal discussions and challenge</b>	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>

# FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in October 2022, along with a [summary of key matters](#) for the coming year, primarily targeted at CEOs, CFOs and Audit Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the entity.



## Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

**Strategic report:** the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

**Discount rates:** inputs need to follow a consistent approach in incorporating the effects of inflation.

**Material assumptions:** where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

**Pension schemes:** explain the effect of uncertainty on investment strategy and associated risks.



## Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

**Granularity and specificity:** disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

**Balance:** discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

**Interlinkage with other narrative disclosures:** companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

**Materiality:** companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

**Connectivity between TCFD and financial statements disclosures:** the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

# FRC's areas of focus (cont.)

## Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

## Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

## Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

## Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

## Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

## Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

# FRC's areas of focus (cont.)

## Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

## Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

## Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

## Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

## Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)

## 2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities





[kpmg.com/uk](https://kpmg.com/uk)

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MIAA	AUDIT AND GOVERNANCE COMMITTEE	11 APRIL 2024	5
<b>INTERNAL AUDIT CHARTER</b>			

### PUBLIC ITEM

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

#### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources (Councillor Ellie Gaunt).

#### PURPOSE OF THE REPORT

This report provides an Internal Audit Charter in accordance with the Public Sector Internal Audit Standards.

#### RECOVERABILITY

This decision is not recoverable because it relates to:

A recommendation to the council or to any other committee or sub-committee of the council

#### RECOMMENDATION

1. To receive, consider and approve the Internal Audit Charter which is attached to this covering report.

### REPORT

1. The Internal Audit Charter is mandated through the Public Sector Internal Audit Standards (2016) and is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

2. The Charter was last formally approved by the Audit and Standards Committee in July 2022 and therefore it is now appropriate for it to be reviewed.

<b>CORPORATE PRIORITIES</b>	
Economy – To create a vibrant and healthy economy	√
Environment – To deliver services customers expect	√
Efficiency – By spending money in the most efficient way	√
Tourism – To create a great place to live and visit	√

IMPLICATIONS	
Finance	No implications
Legal	There are no legal implications from this report; however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	No implications
Human Rights and Equalities	No implications
Sustainability and Environmental Impact	No implications
Health & Safety and Risk Management	No implications

SUMMARY OF PREVIOUS DECISIONS
Internal Audit Charter approved 16 March 2023.

BACKGROUND PAPERS REVELANT TO THIS ITEM		
Name of document	Date	Where available for inspection

LEAD AUTHOR	CONTACT DETAILS	DATE
Louise Cobain	louise.cobain@miaa.nhs.uk	March 2024

Attached documents  
Appendix 1 – Internal Audit Charter

# Internal Audit Charter

Fylde Borough Council

# Contents

- 1 Introduction & Background
- 2 Standard 1000 – Purpose, Authority and Responsibility
- 3 Standard 1100 – Independence and Objectivity
- 4 Standard 1200 – Proficiency and Due Professional Care
- 5 Standard 1300 – Quality Assurance and Improvement Programme
- 6 Standard 2000 – Managing the Internal Audit Activity
- 7 Standard 2100 – Nature of Work
- 8 Standard 2200 – Engagement Planning
- 9 Standard 2300 – Performing the Engagement
- 10 Standard 2400 – Communicating Results
- 11 Standard 2500 – Monitoring Progress
- 12 Standard 2600 – Communicating the Acceptance of Risks
- 13 Definitions

## 1 Introduction

The Internal Audit Charter is mandated through the Public Sector Internal Audit Standards (2017) and is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

This Charter is structured around the Public Sector Internal Audit Standards (2017), the CIPFA Local Government Application Note (LGAN) and aligned to the Core Principles for the Professional Practice of Internal Auditing.

Public Sector Internal Audit Standards – Attribute Standards
1000 - Purpose, Authority and Responsibility 1100 - Independence and Objectivity 1200 - Proficiency and Due Professional Care 1300 - Quality Assurance and Improvement Programme
Public Sector Internal Audit Standards – Performance Standards
2000 - Managing the Internal Audit Activity 2100 - Nature of Work 2200 - Engagement Planning 2300 - Performing the Engagement 2400 - Communicating Results 2500 - Monitoring Progress 2600 - Communicating the acceptance of risks

MIAA confirms ongoing compliance with the Public Sector Internal Audit Standards.

<sup>1</sup> The Definition of Internal Auditing Copyright © 2009 by The Institute of Internal Auditors, Inc., 247 Maitland Avenue, Altamonte Springs, Florida 32710-4201 U.S.A. Reproduced with permission.

## 2 Standard 1000 – Purpose, Authority and Responsibility

Internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes<sup>1</sup>”.

The provision of assurance services is the primary role for internal audit in the public sector. This role requires the internal auditor to provide an independent opinion based on an objective assessment of the framework of governance, risk management and control. The main purpose of internal audit activity within the Council is therefore to provide the Chief Executive with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The Director of Internal Audit’s opinions is a key element of the framework of assurance that the Chief Executive needs to inform the completion of the Annual Governance Statement (AGS).

Internal audit also provides an independent and objective consultancy service which is advisory in nature, and generally performed at the specific request of the organisation. Such consultancy work is separate from but contributes to the opinion which internal audit provides on risk management, control and governance. When performing consulting services, the internal auditor will maintain objectivity and not take on management responsibility.

The above functions drive MIAA's Mission to support 'the transformation and effective delivery of public services by being a trusted partner in the provision of assurance and solution services that improve outcomes and really make a difference'.

Assurance Reviews will provide individual audit opinions to support the annual Director of Internal Audit Opinion. Formal agreement will be sought for the provision of third party assurances to other bodies in respect of the services provided by the Council.

The Internal Audit Section derives authority from the Audit and Governance Committee, the Council and statute (Section 151 Local Government Act 1972 and the Accounts and Audit Regulations 2015).

In accordance with the organisation's Financial Regulations, Internal Auditors will (without necessarily giving prior notice) have access to all records (including those of a confidential nature) and employees of the organisation.

### **3 Standard 1100 – Independence and Objectivity**

The internal audit activity must be independent, and internal auditors must be objective in performing their work. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Director of Internal Audit will have direct and unrestricted access to senior management and the Audit and Governance Committee.

The Director of Internal Audit will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit activity.

The Director of Internal Audit will report functionally to the Audit and Governance Committee. and establish effective communication with, and have free and unfettered access to, the Chief Executive and the Chair of the Audit and Governance Committee. In addition the Director of Internal

Audit also has direct access to the Council's Monitoring Officer, the S151 Officer and all senior management. This will include communicating and interacting directly with the Audit and Governance Committee.

Internal audit activity will be free from interference in determining the scope of internal auditing, performing work and communicating results. Internal auditors will have an impartial, unbiased attitude and avoid any conflict of interest. Conflicts of interest may arise where an auditor provides services other than internal audit to the organisation. Steps will be taken to avoid or manage transparently and openly such conflicts of interest, so that there is no real or perceived threat or impairment to independence in performing the audit role.

All internal auditors will complete an annual declaration of interest identifying possible conflicts of interest and the actions taken to mitigate them. This process, and its outcomes, will be communicated to the Audit and Governance Committee annually through the Director of Internal Audit Opinion and Annual Report.

MIAA will also periodically review the specific audit manager assigned to the organisation to ensure that both parties are satisfied that relationships remain independent and objective.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

### **4 Standard 1200 – Proficiency and Due Professional Care**

Engagements will be performed with proficiency and due professional care. Internal auditors will possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively will possess or obtain the knowledge, skills and other competencies needed to perform its

responsibilities. The Director of Internal Audit is professionally qualified and is responsible for ensuring access to the full range of knowledge, skills, qualifications and experience to meet the requirements of the Internal Audit Standards. MIAA internal auditors will ensure Continuing Professional Development and compliance with professional standards.

Internal auditors will apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

## 5 Standard 1300 – Quality Assurance and Improvement Programme

The Director of Audit will develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme will include both internal and external assessments.

- Internal assessment will include;
- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessment by other persons within the organisation with sufficient knowledge of internal audit practices.

External assessments will also be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The results of external quality reviews and any consequent improvement plans will to be reported to the Chief Executive and Audit and Governance Committee.

## 6 Standard 2000 – Managing the Internal Audit Activity

The Director of Internal Audit will develop and maintain an Internal Audit strategy designed to meet the main purpose of the internal audit activity and its service provision needs. This strategy will advocate a systematic and prioritised review, outlining the resources and skills required to meet the assurance needs of the Chief Executive, Full Council and Audit and Governance Committee. The strategy will take into account the relative risk maturity of the organisation, taking due regard of the assurance framework.

The Director of Internal Audit will establish risk based plans to determine the priorities of the internal audit activity consistent with the organisation's goals.

The Director of Internal Audit will include in the internal audit strategy the approach to using other sources of internal and external assurance. Periodic plans will include any work associated with placing reliance upon such work.

The Director of Internal Audit will agree the strategy and periodic plans with the Chief Executive and Audit and Governance Committee.

Where the Director of Internal Audit believes that the level of agreed resources will prevent the Chief Executive being provided with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, the consequences will be brought to the attention of the Audit and Governance Committee.

The Director of Internal Audit will agree arrangements for interim reporting to the Chief Executive and Audit and Governance Committee in the course of the year and produce an annual report that incorporates his opinion.



The Director of Internal Audit will provide to the Chief Executive an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to support the Annual Governance Statement.

## 7 Standard 2100 – Nature of Work

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes, using a systematic and disciplined approach.

The internal audit activity will also evaluate the potential for the occurrence of fraud and consider how the organisation manages fraud risk. CIPFA has issued a *Code of Practice on Managing the Risk of Fraud and Corruption*. While compliance with the code is voluntary, CIPFA strongly recommends that it is used as the basis for assessment of how an organisation manages its fraud risk. The Director of Internal Audit should be notified of all suspected or detected fraud, corruption or impropriety in order to inform the annual opinion and risk based plans. The Director of Internal Audit will liaise on a regular basis with the nominated Corporate Fraud Manager (CFM) for the organisation to identify any potential risk of fraud and ensure that any potential or actual frauds identified through internal audit activity are referred to the CFM for investigation.

The Director of Internal Audit will also liaise with the organisation's external auditors and other review bodies to facilitate the effective co-ordination of audit resources and assurances.

## 8 Standard 2200 – Engagement Planning

The Director of Internal Audit will establish a risk based Internal Audit Plan in conjunction with the client and with the agreement of the Audit and

Governance Committee. The plan will set out the priorities for Internal Audit activity, consistent with the organisation's goals and objectives.

Internal auditors will develop and document a terms of reference for each engagement, including the engagement's objectives, scope, timing and resource allocations, based on an evaluation of the nature and complexity of each engagement, time constraints and available resources. A work plan will be developed and documented that achieves the engagement objectives.

Internal audit will meet regularly with the external auditor to consult on audit plans and discuss matters of mutual interest.

## 9 Standard 2300 – Performing the Engagement

Internal audit will identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. Internal auditors will base conclusions and engagement results on appropriate analyses and evaluations. Internal auditors will document relevant information to support the conclusions and engagement results.

Engagements will be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.

## 10 Standard 2400 – Communicating Results

Internal auditors will communicate the engagement results with appropriate parties, including the engagement's objectives and scope, as well as applicable conclusions, recommendations and action plans.

Working with the organisation, the Director of Internal Audit will ensure that communications are accurate, objective, clear, concise, constructive, complete and timely.

The Director of internal Audit will deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement.

The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate;

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

## 11 Standard 2500 – Monitoring Progress

The Director of Internal Audit will establish and maintain a follow-up process to monitor that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. This will be operated to support the organisation in ensuring the implementation of actions, and reporting progress to the Audit and Governance Committee.

## 12 Standard 2600 – Communicating the Acceptance of Risks

When the Director of Internal Audit believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation, the Director of Internal Audit will discuss the matter with senior management. If the decision regarding residual risk is not resolved,

the Director of Internal Audit will report the matter to the Audit and Governance Committee for resolution.

### Code of Ethics

MIAA will operate within the definition of Internal Auditing and ensure that the Code of Ethics (Institute of Internal Auditors, 2017) underpins the internal audit services provided to the organisation.

<p><b>INTEGRITY</b></p> <ul style="list-style-type: none"> <li>• Honesty, diligence &amp; responsibility</li> <li>• Legal &amp; professional disclosure</li> <li>• Contribution to legitimate &amp; ethical objectives</li> </ul>	<p><b>OBJECTIVITY</b></p> <ul style="list-style-type: none"> <li>• Unbiased assessment</li> <li>• Relationships</li> <li>• Not subject to undue influence</li> <li>• Conflict of interest disclosure</li> </ul>
<p><b>CONFIDENTIALITY</b></p> <ul style="list-style-type: none"> <li>• Prudence in use &amp; protection of information</li> <li>• Not use information for personal gain or contrary to legal requirements</li> </ul>	<p><b>COMPETENCY</b></p> <ul style="list-style-type: none"> <li>• Knowledge, skills and experience</li> <li>• Compliance with standards and professional practice</li> <li>• Continuous improvement</li> </ul>

## 13 Definitions

Board	The governing body of the organisation with overall responsibility for governance. For the local authority this role is performed by the Audit and Governance Committee and Full Council.
Chief Executive	Officer responsible and accountable for funds entrusted to the organisation.
Audit and Governance Committee	A sub-committee of the Full Council with overall responsibility for overseeing the establishment of an effective system of integrated governance, risk management and control across the organisation's activities.
Director of Internal Audit	Acts as the Chief Audit Executive as the independent corporate executive with overall responsibility for internal audit.
Senior Management	The overall lead director agreed by the organisation for each audit engagement.

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## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MIAA	AUDIT AND GOVERNANCE COMMITTEE	11 APRIL 2024	6
<b>INTERNAL AUDIT PROGRESS REPORT</b>			

### PUBLIC ITEM

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

#### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources (Councillor Ellie Gaunt).

#### PURPOSE OF THE REPORT

This report provides an update to the Audit & Governance Committee in respect of the progress made in against the Internal Audit Plan for 2022/23 and 2023/24 and draws attention to matters relevant to members responsibilities.

#### RECOVERABILITY

This decision is not recoverable because it relates to:

A recommendation to the council or to any other committee or sub-committee of the council

#### RECOMMENDATION

1. To receive, consider and comment on the Internal Audit Progress Report which is attached to this covering report.

### REPORT

1. The attached report has been prepared by the Council's internal auditors, MIAA. It provides an update to the Audit and Governance Committee in respect of the assurances, key issues and progress against the Internal Audit Plans 2022/23 and 2023/24. Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request.
2. MIAA will present the report to the meeting.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	

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

SUMMARY OF PREVIOUS DECISIONS
Internal Audit Plan 2022/23 approved by the Audit and Standards Committee on 17 March 2022. Internal Audit Plan 2023/24 approved by the Audit and Standards Committee on 16 March 2023.

BACKGROUND PAPERS REVELANT TO THIS ITEM		
Name of document	Date	Where available for inspection
Internal Audit Plan 2022/23	17 March 2022	Internal Audit Team
Internal Audit Plan 2023/24	16 March 2023	Internal Audit Team

LEAD AUTHOR	CONTACT DETAILS	DATE
Louise Cobain	louise.cobain@miaa.nhs.uk	March 2024

Attached documents  
Appendix 1 – Internal Audit Progress Report

# Internal Audit Progress Report

## Audit and Governance Committee (11<sup>th</sup> April 2024)

Fylde Borough Council

# Contents

## 1 Introduction

## 2 Key Messages for Audit and Governance Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Key Areas and Actions to be Delivered

Appendix D: Follow-up of Previous Audit Actions

Appendix E: Assurance Definitions and Risk Classifications

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.



## Executive Summary

This report provides an update to the Audit and Governance Committee in respect of the progress made in against the Internal Audit Plans and brings to your attention matters relevant to your responsibilities as members of the Audit and Governance Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition a consolidated follow up position is reported on a periodic basis to the Audit and Governance Committee.

This progress report covers the period 19 January 2024 – 26 March 2024.

### 3 Executive Summary

Since the last meeting of the Audit and Governance Committee, there has been the focus on the following areas:

#### Audit Reviews

The following reviews have been finalised:

- Kirkham Regeneration (Limited Assurance Level)
- Housing Inspections (Moderate Assurance)
- Risk Management (Substantial Assurance)
- Food Waste Management Grant Assurance

Refer to Appendix C for details of Key Areas and Actions to be Delivered

The reviews below are currently at draft report stage or are in progress:

- Food Safety (draft report)
- Business Continuity (draft report)
- IT Service Continuity and Resilience (draft report)
- Externally Managed Events (fieldwork)
- Stock – Fleet Consumables (fieldwork)
- Performance Management (fieldwork)

## Follow Ups

A summary of the current status of all follow-up activity is included at Appendix D, as at March 2024 and we would draw the committee's attention to the following:

Progress has been made in the completion of outstanding audit actions, with 41 actions completed and the remaining actions either in progress or are not yet due. There are three reports where all actions have been completed or superseded, these are Projects, Risk Management and Cash Income reviews.

## Audit Plan Changes

Audit and Standards Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

- To defer the Asset Management Review until Q1/2 2024, at the request of officers, due to a new Asset Management Plan and Working Group being put in place presently.
- To perform a Communications and Engagement – Customer Access Review using the time assigned to Climate Change, as the Climate Change working group are in the process of formulating a Strategy and Plan. To defer the review until Q1 at the request of officers.

## Added Value







### Events





- [Outlook for the Public Sector 2024 \(18th Apr 2024\)](#): Hear from our panel of experts on their analysis of the current economic challenges, share analysis of system pressures over the past 12 months and explore opportunities and possibilities ahead.
- [The Roots of the Nation's Poor Health & Widening Health Inequalities \(23rd May 2024\)](#): This session will address the wider social and economic factors that contribute to poor public health. It will demonstrate how current public health challenges such as health inequity, obesity, physical inactivity and poor mental health are the result of structural factors and will offer illustrative examples of how politics and economics can influence population health – for better and worse.






## Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2023/24:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
<b>Core Assurances</b>				
Risk Management		Complete	Substantial	April 2024
<b>Risk Based Assurances</b>				
Beach Safety		Complete	Moderate	February 2024
Stock Consumables and Expenditure		Fieldwork		
Homelessness Budget Efficiency		Complete	Moderate	November 2023
Financial Controls (Deep Dive)		Complete	Moderate	February 2024
Housing Inspections		Complete	Moderate	April 2024

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
IT Service Continuity and Resilience		Draft Report		
Food Safety		Draft Report		
Business Continuity		Draft Report		
Performance Management		Fieldwork		
Asset Management		Scheduled to commence Qtr 1/2 2024/25		
Communications and Engagement – Customer Access (was Climate Change)		Scheduled to commence Qtr 1 2024/25		
Qtr 1	N/A	Complete	N/A	July 2023
Qtr 2	N/A	Complete	N/A	September 2023
Qtr 3	N/A	Complete	N/A	February 2024
Qtr 4	N/A	Complete	N/A	April 2024
Added Value / Support & Guidance				

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Changing Places Grant Award Assurance	N/A	Complete	N/A	November 2023
Food Waste Management Grant Assurance	N/A	Complete	N/A	April 2024
<b>2022/23 Audit Plan</b>				
Recruitment*		Complete	Substantial	September 2023
Payroll Controls – Blackpool*		Complete	Substantial	February 2024
Kirkham Regeneration*		Complete	Limited	April 2024
Freedom of Information and Subject Access Requests*		Complete	Limited	November 2023
Externally Managed Events*		Fieldwork		

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

\*These reviews were delivered during 2023/24 as requested by the Council, and as such will be included in the 2023/24 Head of Internal Audit Opinion.

## Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit and Standards Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Percentage of recommendations raised which are agreed	Each Audit and Standards Committee	Green	All recommendations have been agreed.
Percentage of recommendations which are implemented	Quarterly	Green	All recommendations due are either in progress or have been completed.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

## Appendix C: Key Areas from our Work and Actions to be Delivered

<b>Report Title</b>	<b>Kirkham Regeneration</b>			
Executive Sponsor	Head of Regeneration Projects			
Objective	To evaluate the governance processes in place for the monitoring and delivery of agreed plans.			
Assurance Level	Limited			
Recommendations	0 x Critical	2 x High	6 x Medium	2 x Low
Summary	<p>The Kirkham Futures Regeneration Programme has been an ambitious, significant and challenging undertaking for the Council to deliver. The original project sponsor and lead left the programme with little or no handover to the then newly appointed Head of Regeneration and Programme Lead. This resulted in the creation of a new, small team to deliver the Programme, establish controls and processes and manage the Programme. There is a risk of overdependency on a key individual and a lack of overall resilience in the delivery of the Programme.</p> <p>MIAA has completed a separate Projects Management Review, which highlighted the need for a Project Management Framework, to be used across Council Programmes and Projects to provide a formal, standardised approach. This has not yet been completed due to resourcing pressures, although it is something which the Programme would benefit from. A structured framework would help to add robustness and rigour to the Programme and assist in the delivery of benefits within budget.</p> <p>Detailed reporting was required for the two key funding streams of Future High Streets and Historic England. These reports have been largely used as a way of monitoring the progress of the Programme, as they require risk registers, Gantt charts and expenditure details. However, they are specific to each stream of funding rather than the Programme as a whole.</p>			

	<p>Consequently, there was a lack of centralised detailed project plans, budget profiling with monitoring, recording of outcomes and lessons learned during the course of the Programme, along with the absence of any action plans arising from identified issues.</p> <p>Controls were in place to record all expenditure incurred against the funding allocations on an individual project basis, which is reconciled to the ledgers and included in the two funding body returns.</p>
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<b>Report Title</b>	<b>Housing Inspections</b>			
Executive Sponsor	Head of Environment and Housing			
Objective	To evaluate the design and operating effectiveness of the systems and controls the Council has in ensuring rental properties meet statutory requirements and do not endanger residents.			
Assurance Level	Moderate			
Recommendations	0 x Critical	1 x High	1 x Medium	2 x Low
Summary	<p>Whilst there was an enforcement policy and housing complaints procedure in place, along with flow charts showing the enforcement, complaints and inspections processes, the roles and responsibilities of the housing team and governance and reporting arrangements were not clearly documented.</p> <p>The council responded to the request made by the DLUCH with privately rented properties data around the assessment of damp and mould issues and along with any action to be taken, in a timely manner.</p> <p>From a sample of Houses of Multiple Occupation (HMO's) and tenant housing complaints, it was found that evidence to support inspections, licenses and enforcement letters were not consistently retained.</p> <p>Although the Council website offers a user-friendly online form for lodging housing enforcement complaints, the website does not provide examples of the types of complaints that residents can submit or refer to government guidance around tenants' rights or provide guidance on how to mitigate certain</p>			



	housing conditions and resolve them proactively before resorting to council assistance (e.g. mould and damp).
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Report Title	Risk Management			
Executive Sponsor	Head of Corporate Services			
Objective	To provide assurance on the design and operating effectiveness of the Council's risk management processes.			
Assurance Level	Substantial			
Recommendations	0 x Critical	0 x High	1 x Medium	3 x Low
Summary	<p>Overall, the Council had a good system of internal controls and controls were generally being applied consistently.</p> <p>The main areas of good practice related to there being a Risk Management Strategy in place which had been recently updated and contained the roles and responsibilities of all key staff groups and committees. There were multiple documents to assist staff with using the GRACE system and completing the risk register requirements. The risk appetite had been reviewed in the year and the Council had completed a risk appetite session which considered new and emerging risks for the Strategic Risk Register. The strategic risks had recently been reviewed and updated on the GRACE system; this was documented in the Strategic Risk Management Group minutes. Review of the Strategic Risk Register identified that all risks had a risk owner, inherent, residual and target risk score and risk categories assigned to them.</p> <p>Areas for enhancement related to a few instances were risk actions had no updates, residual and inherent risk scores being the same and some risks having no actions assigned to them. Lower rated areas related to the Council not having a training procedure in place that outlined how often staff should receive training, the Risk Management Strategy did not include the review period for risk appetite or any</p>			

training requirements and the Audit and Governance Committee not receiving the Strategic Risk Register for review in the expected time period.

The Corporate Emergency Planning & Risk Management Officer is due to leave the authority at the end of March, with a replacement already appointed and due to start in April. This will ensure that any gap in continuity will be minimal with the current postholder also agreeing to provide a handover in April for his replacement.

## Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at March 2024.

Previous Fylde Borough Council Audit Team Recommendations from Limited or Moderate Rated Reports. No risk ratings were assigned to recommendations.

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				COMMENTS
			✓/S	P	X	Not due	
2019/20							
Commercial Property	9	Limited	6	1	-	2	Remaining actions relate to the creation of an Asset Management Group and Plan. These are not expected to be completed until 2024, due to changes in Committee and departmental structures and emerging priorities. Agreed at Audit and Standards Committee to extend the deadlines for completion.  Asset Management to be reviewed in Q1/2 2024/25.
VAT	3	Moderate	2	1	-	-	A system interface was required and has been implemented. Further checks are required to test it in the live environment.
<b>TOTALS</b>	<b>12</b>		<b>8</b>	<b>2</b>	<b>-</b>	<b>2</b>	

## MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
<b>2021/22</b>											
Project Management	1	Moderate	1	-	-	-	-	-	-	-	Action superseded by the Kirkham Review.
Treasury Management	2	High	1	-	1	-	-	-	-	1	Remaining action is for Committee training to be put in place.
S106	8	Moderate	5	2	-	1	-	1	2	-	A new software system is being introduced, which will enable the outstanding actions to be completed.
Property Repairs and Maintenance	8	Limited	5	1	-	2	-	2	1	-	Remaining actions in progress or not yet due.
<b>2022/23</b>											
Homelessness	7	Moderate	5	-	-	2	-	-	2	-	Remaining actions not yet due.
Data Sharing Agreements	4	Limited	1	-	-	3	-	2	1	-	Extension to the actions deadline to December 2024, as a result the update to UK Data Protection Laws and record keeping, which is currently going through Parliament.
Budgetary Control	2	High	-	-	2	-	-	-	-	2	Actions to be completed with the 2024/25 budgets.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Risk Management	4	Moderate	4	-	-	-	-	-	-	-	All actions complete.
Key Financial Controls	2	Substantial	1	1	-	-	-	-	1	-	Remaining action in progress.
Recruitment	2	Substantial	1	1	-	-	-	-	1	-	Remaining action in progress.
Payroll – Blackpool controls	6	Substantial	4	-	-	2	-	-	2	-	Remaining actions not yet due.
Kirkham Regeneration	10	Limited	3	-	-	7	-	-	6	1	Remaining actions not yet due.
<b>2023/24</b>											
Beach Safety	8	Moderate	2	4	-	2	-	-	4	2	Remaining actions in progress or not yet due.
Cash Income	5	Limited	5	-	-	-	-	-	-	-	All actions complete.
Temporary Accommodation	7	Moderate	3	-	-	4	-	-	2	2	Remaining actions not yet due.
Housing Inspections	4	Moderate	-	-	-	4	-	1	1	2	Actions not yet due.
Risk Management	4	Substantial	-	-	-	4	-	-	1	3	Actions not yet due.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
<b>TOTALS</b>	<b>84</b>		<b>41</b>	<b>9</b>	<b>3</b>	<b>31</b>	<b>-</b>	<b>6</b>	<b>24</b>	<b>13</b>	

Key to recommendations:

- |     |  |   |                                  |   |                             |
|-----|--|---|----------------------------------|---|-----------------------------|
| ✓/S | Implemented or Superseded                        | C | Critical priority recommendation | L | Low priority recommendation |
| P   | Partially implemented/recommendation in progress | H | High priority recommendation     |   |                             |
| X   | Recommendation not implemented/awaiting update   | M | Medium priority recommendation   |   |                             |

## Appendix E: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> <li>has a low impact on the achievement of the key system, function or process objectives;</li> <li>has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

## Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.



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## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MIAA	AUDIT AND GOVERNANCE COMMITTEE	11 APRIL 2024	7
<b>INTERNAL AUDIT PLAN 2024-25</b>			

### PUBLIC ITEM

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

#### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources (Councillor Ellie Gaunt).

#### PURPOSE OF THE REPORT

This report provides an Internal Audit Plan for 2024/25.

#### RECOVERABILITY

This decision is not recoverable because it relates to:

A recommendation to the council or to any other committee or sub-committee of the council

#### RECOMMENDATION

1. To receive, consider and approve the Internal Audit Plan 2024/25 which is attached to this covering report.

### REPORT

#### THE ROLES OF MANAGEMENT AND INTERNAL AUDIT

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

#### AUDIT PLAN

3. The revised 2024/25 Internal Audit Plan contains the programme of reviews for the current financial year and is shown at Appendix 1. This has been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Corporate Plan and Strategic Risk Register. There has also been extensive consultation within each service which has taken an overview of audit requirements.

The following paragraphs summarise the areas that will be subject to audit coverage in 2024/25:

**Management and Control**

- Head of Internal Audit Opinion & Annual Report and Annual Governance Statement
- 24/25 Audit Plan/Blackpool Liaison/QA papers/KPIs
- Corporate Governance Group
- Committee Reporting and Attendance
- Lancashire Head of Audit Group Attendance/EA liaison/AFS liaison
- Briefings

**Risk based reviews of the following systems:**

- Risk Management
- Key Financial Controls
- Corporate Peer Review -Action Plan
- Council Tax and NNDR
- Procurement
- Heritage Assets
- Building Statutory Compliance
- Environmental Protection
- Crematorium
- Planning Enforcement
- Sickness Absence
- Threat and Vulnerability Cyber
- CCTV

**General Areas**

- Following up management actions agreed in earlier audit reports.
- Responding to requests from management for unplanned reviews / investigations.

The reviews will be kept under consideration during the year for any emerging risks.

**AUDIT DAYS**

4. The Internal Audit Plan for 2024/25 is based on a resource of 254 audit days as previously agreed.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	

IMPLICATIONS	
Finance	No implications
Legal	No implications
Community Safety	No implications

Human Rights and Equalities	No implications
Sustainability and Environmental Impact	No implications
Health & Safety and Risk Management	No implications

**SUMMARY OF PREVIOUS DECISIONS**

Internal Audit Plan 2022/23 approved by the Audit and Standards Committee on 17 March 2022  
 Internal Audit Plan 2023/24 approved by the Audit and Standards Committee on 16 March 2023

**BACKGROUND PAPERS REVELANT TO THIS ITEM**

Name of document	Date	Where available for inspection
Internal Audit Plan 2022/23	17 March 2022	Internal Audit Team
Internal Audit Plan 2023/24	16 March 2023	Internal Audit Team

LEAD AUTHOR	CONTACT DETAILS	DATE
Louise Cobain	louise.cobain@miaa.nhs.uk	March 2024

Attached documents  
 Appendix 1 – Internal Audit Plan 2024/25



# Fylde Borough Council

Internal Audit Plan 2024/2025

# Contents

1. Executive Summary
2. Your Assurance, Anti-Fraud and Solutions Service
3. Supporting you through Adding Value
4. Understanding Your Vision, Objectives & Risks
5. Internal Audit Risk Assessment
6. Internal Audit Plan On A Page
7. Operational Internal Audit Plan 2024/25

Appendix A: Strategic Three Year Internal Audit Plan

Appendix B: Internal Audit Key Performance Indicators

## Your Internal Audit Team




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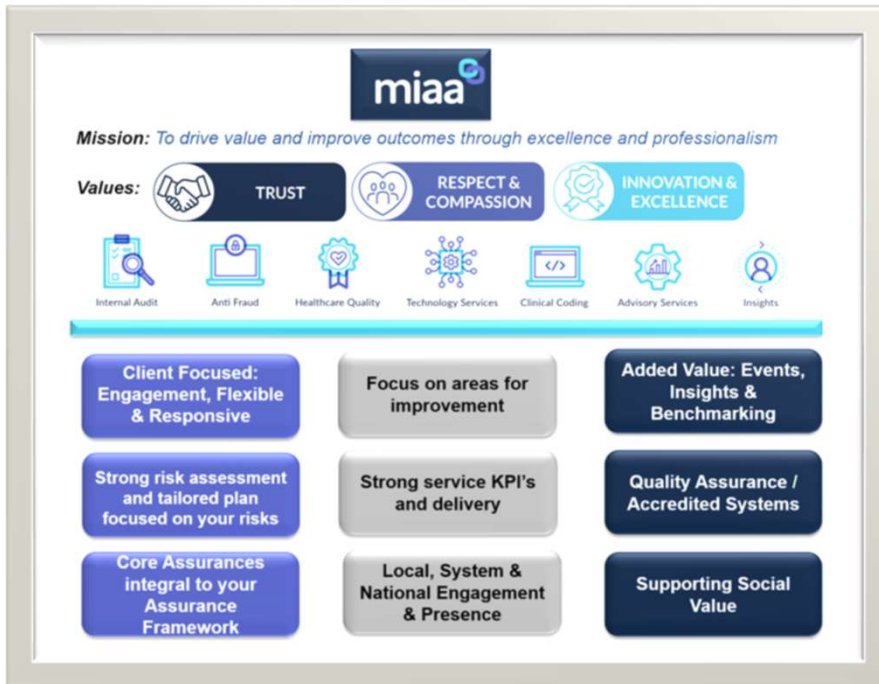
 [www.miaa.nhs.uk](http://www.miaa.nhs.uk)

 @MIAANHS

# 1 Executive Summary

## 1.1 Working in partnership with you

MIAA Assurance, providing cost effective assurance, insight and foresight. These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.



## 1.2 Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. This has focused upon your Assurance Framework as this represents **Fylde Borough Council (the Council)** own assessment of the risks to achieving its strategic objectives. These are summarised in Appendix A. We have clearly set out the risks which have been prioritised within the audit plan and those which are not.

## 1.3 Your Internal Audit Plan

Your Internal Audit service includes core assurances, national and regional risk areas and strategic risks from your assurance framework. The draft plan is based on an initial risk assessment and provides indicative coverage for the Council. The plan will remain flexible to allow for responses to emerging challenges that the Council may face.

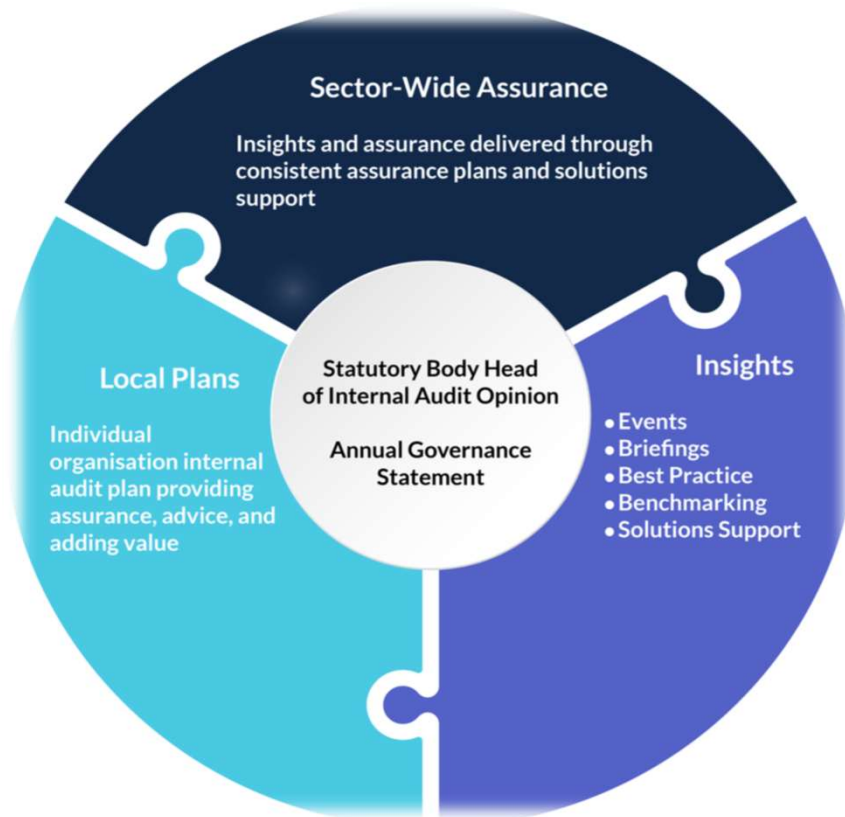
Your operational annual plan in Section 5 forms part of the Council's three year Strategic Plan (shown in Appendix A). This will be reviewed as part of our ongoing risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value.

We will actively engage across the organisation to ensure we have a full and detailed understanding of your risks and can ensure we focus our work to best effect.

MIAA insights, including benchmarking, briefings and events will be integral to your plan.

This draft plan is based upon 23/24 fees. Fees will be lifted in line with planning guidance.

## 2 Your Assurance, Anti-Fraud and Solutions Services



### Internal Audit, Assurance and Solution Plans

The public sector landscape in England continues to change, and the impact of COVID-19, international and economic challenges are likely to be felt for many years to come.

Our vision is for MIAA to continue to be a Trusted Advisor through the retention of personalised, local focus and relationships with the added benefits provided by an at scale provider.

This is about MIAA continuing to build on its shared services capability to create a comprehensive offering, which provides insight, adds value and supports transformational change whilst operating efficiently.

MIAA continue to review and adapt our audit service and the way we provide assurance to meet your needs in the changing landscape.

This is about risk assessment at every level and regrouping audit plans and advisory commissions to support organisations and the wider system.



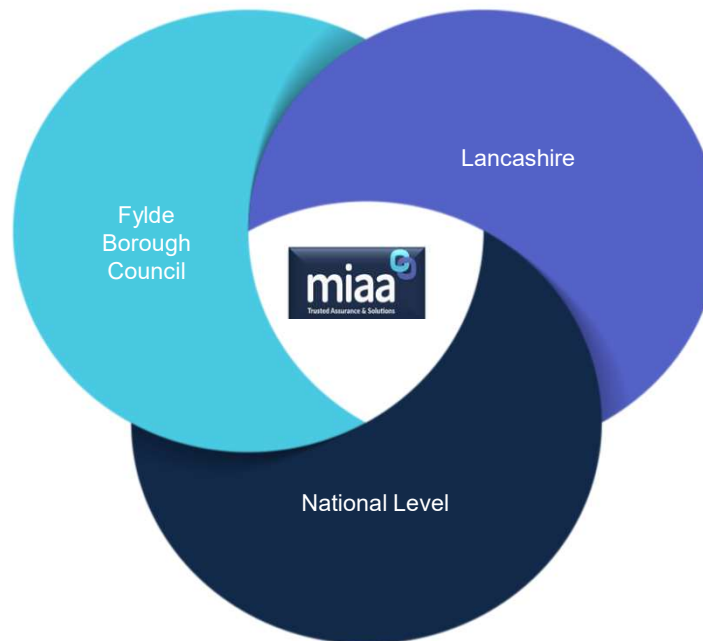
# 3 Supporting you through Adding Value

## Insights & Benchmarking

- Topical Briefings
- Assurance Checklists
- Through the Audit Committee Lens
- Benchmarking, shared learning & best practice

## Events, Groups & Networks

- TIAN: The Internal Audit Network
- GARNET: Governance, Assurance Risk Network
- System Audit Chairs Forums
- Collaborative Masterclasses
- Representation at local, regional and national level across range of networks & professional bodies



## Specialist Services

- Included within the Core IA Plan:
  - ✓ Digital
  - ✓ Capital & Estates
  - ✓ Business Intelligence & Data Analytics
- Highly experienced, professional and qualified teams
- Extensive Solutions Consultancy service

## Accreditations





# 4 Understanding Your Vision, Objectives & Risks

## Understanding Your Vision, Objectives and Risks

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.

## Assurance Built Around Your Risks

- Financial sustainability
- Delivery of key change programmes
- Leadership and workforce
- ICT Systems
- Climate Change

We map your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan (Appendix A). This is reviewed as part of the risk assessment process to ensure that the plan remains focused on the Council's key risks and challenges and adds value.

	Economy	Environment	Efficiency	Tourism
Strategic Objectives	<p>To create a vibrant and healthy economy we will:</p> <ul style="list-style-type: none"> <li>Develop &amp; deliver Vision Plans for the town centre</li> <li>Support and promote regeneration developments</li> <li>Facilitate improved transport infrastructure and connectivity</li> <li>Maximise the use of all council owned assets</li> <li>Work with partners to attract new employers and create vibrant economic communities</li> <li>Monitor and enhance the diversity of our local communities</li> </ul>	<p>To deliver services customers expect us to:</p> <ul style="list-style-type: none"> <li>Reduce the use of plastics &amp; increase recycling</li> <li>Improve the natural environment</li> <li>Improve cost and sustainable procurement</li> <li>Reduce waste, air and healthy communities</li> <li>Promote high quality parks and open spaces</li> <li>Promote safe, low and sustainable road and transportable facilities</li> <li>Promote water resilience and storage</li> <li>Minimise carbon emissions and energy</li> <li>Minimise carbon to protect against flooding</li> <li>Improve energy efficiency in our buildings</li> <li>Reduce our own carbon footprint</li> <li>Reduce our own carbon footprint</li> </ul>	<p>To spend money in the most efficient way we will:</p> <ul style="list-style-type: none"> <li>Keep council tax as low as possible while delivering the best services</li> <li>Adopt a 'Customer First Mindset'</li> <li>Reduce work hours to improve work-life balance</li> <li>Apply technology to other services in the most efficient way possible</li> <li>Continuously review ways to meet changing customer expectations</li> <li>Monitor and enhance the reputation of the Council</li> <li>Keep customers informed through open and transparent communication</li> </ul>	<p>To create a great place to live and visit we will:</p> <ul style="list-style-type: none"> <li>Promote high quality tourism, leisure, arts, events and recreational facilities</li> <li>Deliver and support a diverse programme of events across the town and its surroundings</li> <li>Develop and promote unique destination points across the town and its surroundings</li> <li>Attract high quality visitors</li> <li>Promote parking solutions that meet the needs of residents, workers and visitors</li> <li>Support and enhance heritage and arts</li> </ul>
Key Risks	<p>There is a risk that the Council's performance in the economy will be poor, leading to a loss of jobs and income, and a decline in the quality of life for residents.</p> <ul style="list-style-type: none"> <li>There is a risk that the Council's performance in the environment will be poor, leading to a loss of natural resources and a decline in the quality of life for residents.</li> <li>There is a risk that the Council's performance in efficiency will be poor, leading to a loss of money and a decline in the quality of services provided.</li> <li>There is a risk that the Council's performance in tourism will be poor, leading to a loss of jobs and income, and a decline in the quality of life for residents.</li> </ul>	<p>There is a risk that the Council's performance in the environment will be poor, leading to a loss of natural resources and a decline in the quality of life for residents.</p> <ul style="list-style-type: none"> <li>There is a risk that the Council's performance in efficiency will be poor, leading to a loss of money and a decline in the quality of services provided.</li> <li>There is a risk that the Council's performance in tourism will be poor, leading to a loss of jobs and income, and a decline in the quality of life for residents.</li> </ul>	<p>There is a risk that the Council's performance in efficiency will be poor, leading to a loss of money and a decline in the quality of services provided.</p> <ul style="list-style-type: none"> <li>There is a risk that the Council's performance in tourism will be poor, leading to a loss of jobs and income, and a decline in the quality of life for residents.</li> </ul>	<p>There is a risk that the Council's performance in tourism will be poor, leading to a loss of jobs and income, and a decline in the quality of life for residents.</p> <ul style="list-style-type: none"> <li>There is a risk that the Council's performance in efficiency will be poor, leading to a loss of money and a decline in the quality of services provided.</li> </ul>



# 5 Internal Audit Risk Assessment

The Fylde Borough Council internal audit plan is built from a risk assessment which has considered national and local system risks, place based developments and your local strategic risk assessment, along with our breadth of experience and understanding of the challenges you face.

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.

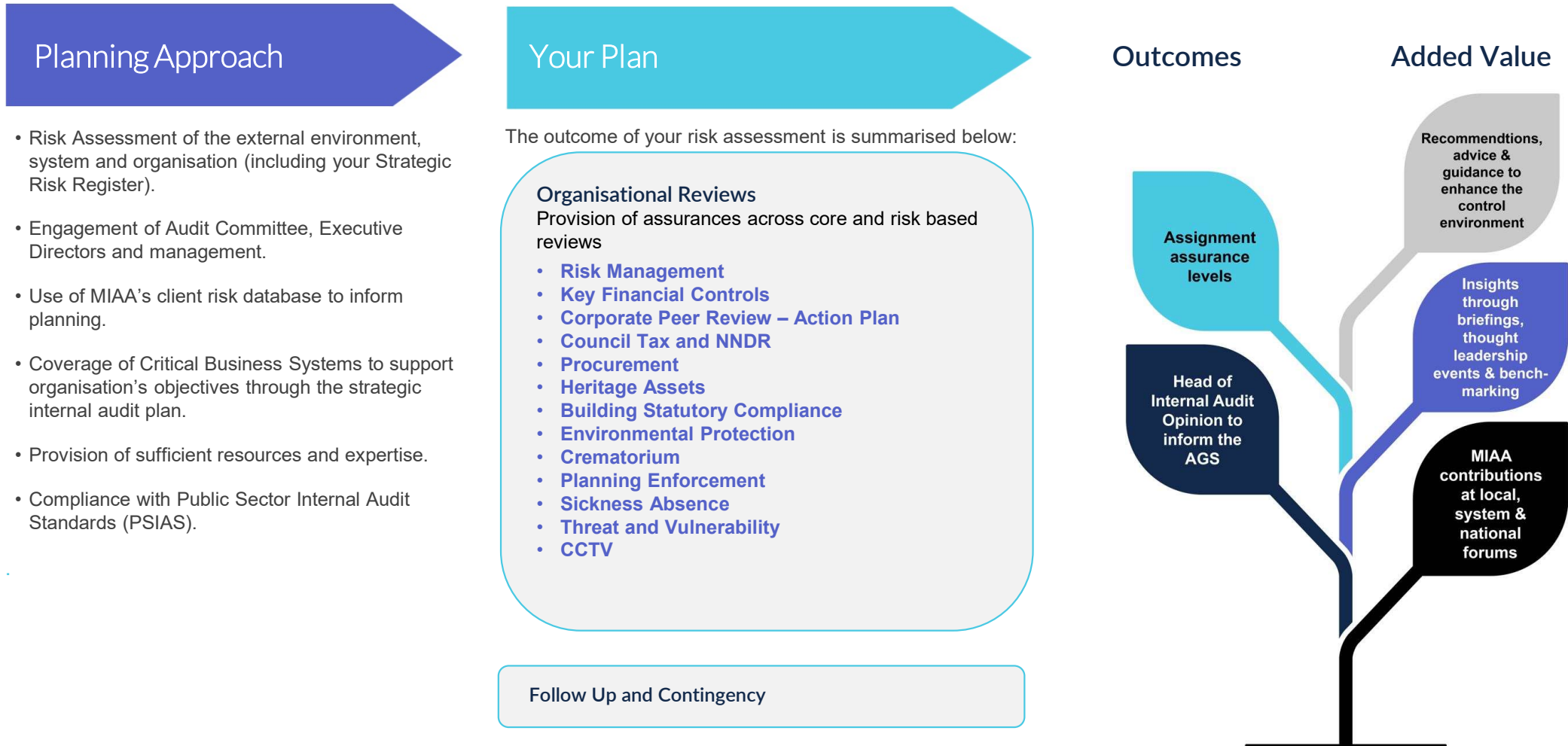
The initial strategic risk assessment and internal audit risk assessment has considered:

- **Organisation intelligence** – including review of your Strategic Risk Register, Strategy and committee papers.
- **Assurance mapping** – utilisation of the 3 lines of assurance model and professional standards to ensure focused coverage.
- **Mandated assurance** – including core systems assurances, and Public Sector Internal Audit Standards requirements.
- **Previous Internal Audit coverage** – we have reviewed your previous Internal Audit coverage to ensure the proposed plan does not duplicate coverage.
- **Follow Up** – Internal Audit coverage will also include follow up of outstanding internal audit actions.



# 4 Internal Audit Plan on a Page

For Fylde Borough Council, this is the planning approach we will adopt:



# 7 Operational Internal Audit Plan 24/25

Review & Scope	BAF Risk / Rationale	Planned Delivery	Executive Lead
<b>Governance &amp; Leadership</b>			
<b>Risk Management – Core Controls:</b> To provide assurance that core risk management controls have established and maintained.	<b>HOIA Opinion Requirement/ PSIAS requirement</b>	Q4	Head of Corporate Services
<b>Corporate Peer Review – Action Plan Review:</b>	<b>Management Request</b>	TBC	Deputy Chief Executive
<b>Finance &amp; Sustainability</b>			
<b>Key Financial Controls:</b> To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	<b>Core Assurance/</b>	Q3	Chief Financial Officer
<b>Council Tax and NNDR:</b> To identify and evaluate the controls in place to manage key risks which would affect the effective operation of the system for NNDR and Council Tax.	<b>Core Assurance/XXX</b>	Q2	Chief Financial Officer
<b>Procurement:</b> To review the design and controls of the procurement process and ensuring that the Council has an open and transparent process to procure goods and services and achieve value for money..	<b>Strategic Risk – Transforming Public Sector Procurement</b>	Q4	Head of Governance
<b>Service Delivery</b>			
<b>Heritage Assets:</b> To review the systems and processes in place to manage Heritage Assets.	<b>Bfwd from 2023/24</b>	Q3	Head of Place and Culture
<b>Buildings Statutory Compliance:</b> To confirm whether the Council can demonstrate that it has systems in place to ensure that buildings owned by the Council are maintained in accordance with Statutory requirements for building and property maintenance.	<b>Strategic Risk – Asset Management/Management Request</b>	Q4	Head of Technical Services
<b>Environmental Protection:</b> To review the systems and processes in place to manage and provide Environmental Protection services.	<b>Management Request</b>	Q3	Head of Environmental and Housing Services
<b>Crematorium:</b> To review the systems and processes in place to manage the Crematorium.	<b>Management Request</b>	Q2	Head of Environmental and Housing Services
<b>Planning Enforcement:</b> To consider the systems and processes in place for Planning Enforcement and the breach of planning regulations.	<b>PAS Review Actions/Management Request</b>	Q3	Head of Planning

Review & Scope	BAF Risk / Rationale	Planned Delivery	Executive Lead
<b>People</b>			
<b>Sickness Absence:</b> To evaluate the systems and processes in place to ensure that managers are proactively managing sickness absence, ensuring compliance with Council policy. This will include a review of the processes in place for the identification, recording, reporting and monitoring of sickness absence.	<b>Core Assurance/Management Request</b>	Q2	Head of Corporate Services
<b>Information Technology</b>			
<b>Threat and Vulnerability:</b> To provide an assessment on the effectiveness of the control framework being exercised by management in relation to threat and vulnerability management with reference to cyber security guidelines and good practice as provided by the National Cyber Security Centre (NCSC) and highlight areas of improvement, where appropriate.	<b>Mandated Requirement</b>	Q2	Head of Corporate Services
<b>CCTV:</b> To provide an assessment of the effectiveness of the control framework being exercised by management over the systems, data flows and associated external processes, with reference to guidelines and good practice as provided by the and Information Commissioners Office (ICO), the Surveillance Camera Code of Practice (amended March 2022) issued by the Secretary of State under Sections 29 to 31 of the PoFA 2012 and highlight areas of improvement, where appropriate.	<b>Management Request</b>	Q4	Head of Environmental and Housing Services
<b>Follow up &amp; Contingency</b>			
<b>Follow up and Contingency</b>	<b>PSIAS requirement</b>	Q1 - Q4	XXXX
<b>Planning &amp; Reporting</b>			
<b>Planning, Management, Reporting &amp; Meetings</b>	<b>PSIAS requirement</b>	Q1 - Q4	XXXX

*The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.*

The following risk areas were identified as part of the annual risk assessment (refer above), but are not currently prioritised within the Internal Audit Plan coverage.

Risk Area	Review Origin	Rationale
Leisure Partnerships	Risk Assessment & Management Request	Further work is required by the Council. Proposed review for 2025/26.
Environmental Enforcement	Risk Assessment & Management Request	Not considered a priority. To be considered in future years.
Climate Change	Risk Assessment	Not mature enough to review. Proposed review for 2025/26.
Planning Advisory Service - Actions Review	Risk Assessment	Work is in progress. Proposed review for 2025/26.
Land Charges	Management Request	Land registry updates in progress. Not considered a priority.
Bathing Waters, Flooding and Surface Water Management	Management Request	Work is in progress. To be considered in future years.
Retention and Succession Planning	Risk Assessment	Performance Management Review 2023/24.

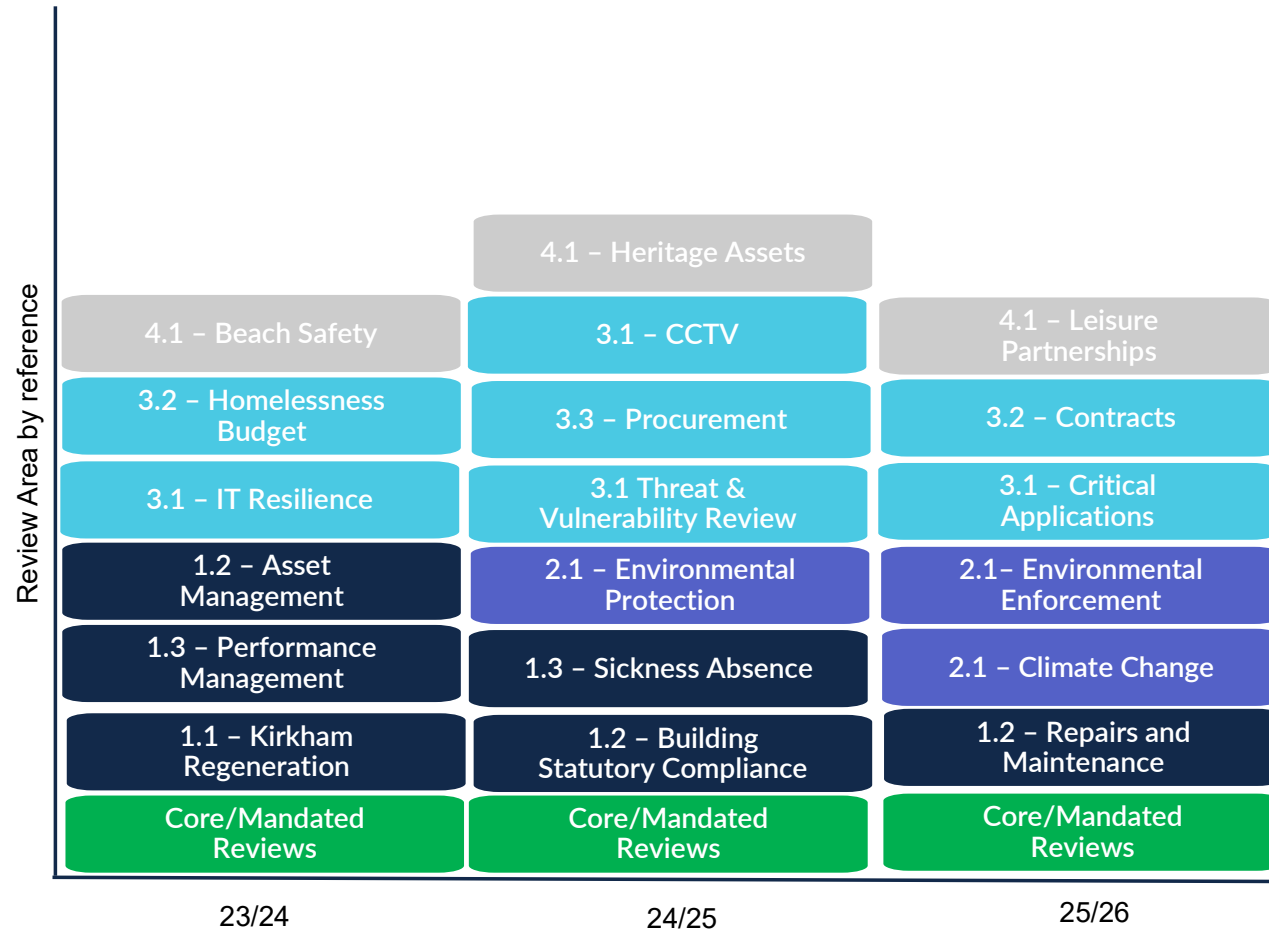
*The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.*



# Appendix A – 3 Year Strategic Internal Audit Plan

We have mapped your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan. This will be reviewed as part of the risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value.

REF	Strategic Risk	Risk Score
<b>Principal Objective: Economy</b>		
1.1	Kirkham Futures Regeneration Programme	16
1.2	Management of key assets	6
1.3	Recruitment/Retention and Succession Planning	12
<b>Principal Objective: Environment</b>		
2.1	Climate Change	9
<b>Principal Objective: Efficiency</b>		
3.1	ICT Systems	12
3.2	Rural Swimming Provision – Kirkham Pool	20
3.3	Public Reform Event – Transforming Public Sector Procurement	4
<b>Principal Objective: Tourism</b>		
4.1	Leisure provision St Annes Pool	16





## Appendix B – Internal Audit Key Performance Indicators

An efficient and effective internal audit service is delivered in partnership. It is important that clear expectations are established and a range of KPIs are in place to support this. It is important that organisations ensure an effective Internal Audit Service. Whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. Our annual Head of Internal Audit Opinion will provide you with a range of impact and effectiveness measures, as well as confirmation of our compliance with Public Sector Internal Audit Standards and accreditations.

In addition, the following operational KPIs have been proposed for you.

Operational KPI	Target	Measurement and Frequency
Agreement of Annual Plan prior to the start of the year	100%	Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)
Completion of annual plan within agreed timetable and budget	100%	Annual (measured through HOIA opinion) plus in year reporting to Audit Committee
Presentation of the Head of Internal Audit Opinion to the Audit Committee	100%	Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)
Delivery of audit reports to audit committee as per the plan	100%	Quarterly (measured as per annual operational delivery plan)
Terms of reference agreed with management at least 10 working days before commencement of audit	100%	Quarterly (measured as per TeamMate system) – requires MIAA and Council to deliver KPI (for urgent requests this may be shorter depending on the nature of the request)
Draft reports issued within 10 days of completion meeting	100%	Quarterly (measured as per TeamMate system)
Final audit report issued within 10 days of receiving management response	100%	Quarterly (measured as per TeamMate system)
Final audit reports are agreed by the nominated executive director, who will ensure consultation has taken place with relevant Council officers	100%	Quarterly (measured as per annual operational delivery plan)
Receipt of all internal audit reports in accordance with timelines for Audit Committee publication with completed cover sheets as required	100%	Quarterly (measured as per agreed Audit Committee dates)
Proportion or recommendations accepted by management	95%	Quarterly (measured as per TeamMate system) – the target allows for advisory recommendations (we would expect 100% of high risk recommendations).
Monitor and Follow Up implementation of accepted recommendations by due date	95%	Quarterly (measured through follow up reports) - requires Council and MIAA to deliver KPI
Issue of client satisfaction survey following completion of each review	100%	Quarterly (measured as per agreed Audit Committee dates)
Operation of systems to ISO Quality Standards and compliance with Public Sector Internal Audit Standards.	100%	Quarterly (measured as per agreed Audit Committee dates)
Commitment to training and development of audit staff. Maintenance of 65% Qualified (CCAB, IIA etc) 35% Part Qualified	100%	Quarterly (measured as per agreed Audit Committee dates)

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

## Limitations

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.



## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND GOVERNANCE COMMITTEE	11 APRIL 2024	8
<b>ROUTE TO SCRUTINY</b>			

### PUBLIC ITEM

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

#### RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Finance and Resources (Councillor Ellie Gaunt).

#### PURPOSE OF THE REPORT

To propose an amendment to the constitution to outline the pathway for members to ask the scrutiny committee to consider including a relevant matter in its workplan.

#### RECOVERABILITY

This decision is not recoverable because it relates to:

- A recommendation to the council or to any other committee or sub-committee of the council

#### RECOMMENDATION

1. To recommend that council amends the constitution to include the following paragraph;

*X.1 Any member of the council can refer a matter for request to be included in a scrutiny workplan.*

*X.2 Requests must be made in writing to the Deputy Chief Executive (or a member of the Scrutiny Team in their absence) and may include a supporting statement of no more than 100 words.*

*X.3 A request will be placed on the agenda of the relevant committee at its next available meeting, The "next available" meeting means the first meeting falling more than ten working days after the Deputy Chief Executive receives the request, unless it is practicable to include the request as an agenda item at an earlier meeting, in which case it means that earlier meeting. Any supporting statement will be included in the agenda along with the request.*

*X.4 The committee will deliberate and decide whether to include the requested matter in its workplan. If the committee decides against inclusion, it should set out a concise reason for its decision.*

## REPORT

1. Regulation 6 of the Local Government (Committee Systems) (England) Regulations 2012 provides that;
  - (1) The local authority must ensure that it enables—
    - (a) any member of an overview and scrutiny committee of the authority to refer to the committee any matter which is relevant to the functions of the committee;
    - (b) any member of a sub-committee of an overview and scrutiny committee of the authority to refer to the sub-committee any matter which is relevant to the functions of the sub-committee; and
    - (c) any member of the authority to refer to an overview and scrutiny committee of the authority of which the member of the authority is not a member any matter which is relevant to the functions of the committee and is not an excluded matter.
  - (2) For the purposes of paragraph (1), a local authority enables a person to refer a matter to a committee or sub-committee if it enables the person to ensure that the matter is included in the agenda for, and discussed at, a meeting of the committee or sub-committee.
2. As such the constitution does not explicitly lay out the procedure by which members of the council can request that the relevant scrutiny committee considers including a relevant matter in its workplan.
3. It is therefore proposed that the constitution be amended to include a pathway.
4. The following is outlined to address this :

*X.1 Any member of the council can refer a matter for request to be included in a scrutiny workplan.*

*X.2 Requests must be made in writing to the Deputy Chief Executive (or a member of the Scrutiny Team in their absence) and may include a supporting statement of no more than 100 words.*

*X.3 A request will be placed on the agenda of the relevant committee at its next available meeting, The “next available” meeting means the first meeting falling more than ten working days after the Deputy Chief Executive receives the request, unless it is practicable to include the request as an agenda item at an earlier meeting, in which case it means that earlier meeting. Any supporting statement will be included in the agenda along with the request.*

*X.4 The committee will deliberate and decide whether to include the requested matter in its workplan. If the committee decides against inclusion, it should set out a concise reason for its decision.*

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

IMPLICATIONS	
Finance	None arising from this report
Legal	None arising from this report
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report

Health & Safety and Risk Management	None arising from this report
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**SUMMARY OF PREVIOUS DECISIONS**

None
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**BACKGROUND PAPERS REVELANT TO THIS ITEM**

Name of document	Date	Where available for inspection
N/A		

LEAD AUTHOR	CONTACT DETAILS	DATE
Ian Curtis	ian.curtis@fylde.gov.uk	March 2024