Agenda

Audit and Standards Committee

Date:	Thursday, 20 September 2018 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	Councillor John Singleton JP (Chairman) Councillor David Donaldson (Vice-Chairman) Councillors Delma Collins, Peter Collins, Paul Hayhurst, Edward Nash, Graeme Neale, Louis Rigby, Roger Small.

	PROCEDURAL ITEMS:	PAGE
1	**Declarations of Interest:** Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	**Confirmation of Minutes:** To confirm the minutes, as previously circulated, of the meeting held on 26 July 2018 as a correct record.	1
3	**Substitute Members:** Details of any substitute members notified in accordance with council procedure rule 22(c).	1
	AUDIT DECISION ITEMS:	
4	**Internal Audit Six Month Plan Oct 2018 – March 2019**	3 - 6
5	**Corporate Governance Action Plan**	7 - 8
	AUDIT INFORMATION ITEMS:	
6	**Annual Audit Letter 2017/18**	9 - 18

Contact: Tara Walsh - Telephone: (01253) 658546 – Email: democracy@fylde.gov.uk

The code of conduct for members can be found in the council's constitution at

http://fylde.cmis.uk.com/fylde/DocumentsandInformation/PublicDocumentsandInformation.aspx

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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	20 SEPTEMBER 2018	4

INTERNAL AUDIT SIX MONTH PLAN OCT 2018 – MARCH 2019

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

SUMMARY

The 2018/19 (6 month) Internal Audit Plan has been compiled in consultation with Directors and Heads of Service following a detailed risk assessment.

RECOMMENDATION

That the Committee approve the Internal Audit Plan Six Month Plan Oct 2018 - March 2019.

SUMMARY OF PREVIOUS DECISIONS

None

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

THE 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. As members will be aware, the Annual Audit Plan is usually compiled and presented to the Committee each March. Following the departure of the previous Head of Internal Audit, the process of compiling an audit plan

was not undertaken. The 2018/19 Internal Audit Plan contains the programme of reviews for the next six months 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.

4. The following paragraphs summarise the areas that will be subject to audit coverage from October 2018 to March 2019.

Corporate

- Undertaking corporate and service level governance reviews in support of the Annual Governance Statement.
- Review and update of anti-fraud and corruption policies.
- Co-ordinating the Council's input to the Cabinet Office National Fraud Initiative (NFI) 2018 exercise for in order to identify any potential irregularities.

Risk based reviews of the following systems:

- Licensing – administration & enforcement.
- Safeguarding arrangements.
- ICT review – to be determined in conjunction with the external provider.
- Creditors.
- Income collection.
- Maintenance and inspection regimes: trees & playgrounds
- Building control.
- Housing standards (including houses of multiple occupation).

Project Team Membership

- Coastal defence project.

General Areas

- Following up management actions agreed in earlier audit reports.
- Responding to requests from management for unplanned reviews / investigations.
- Preparing reports for and attending the Audit and Standards Committee.

AUDIT DAYS

5. The Internal Audit Plan for the remaining 6 months of 2018/19 is based on a resource of **180 audit days.** This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resources from an external provider who will provide computer audit expertise.

INTERNAL AUDIT PLAN 2017/18

6. The production of an annual report is a requirement of the Public Sector Internal Audit Standards. Again, following the retirement of the previous Head of Internal Audit, this report has not been compiled. It is therefore our intention to provide an update on the reviews which have been completed from the 2017/18 Internal Audit Plan within our progress report which will be presented to the Committee in January 2019**.** Our progress report will also include a summary of all outstanding agreed management actions.

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Dawn Highton	Dawn.highton@fylde.gov.uk Tel 01253 658413	29th August 2018

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Risk Assessment	29th August 2018	Internal Audit Office, Town Hall

Attached documents

Appendix 1 – Internal Audit Plan Six Month Plan Oct 2018 - March 2019

APPENDIX 1

INTERNAL AUDIT PLAN – Oct 2018 to March 2019

FYLDE COUNCIL	QTR	DAYS	Comments
CORPORATE AREAS			
Annual Governance Statement	4	15	To support the 2019 Annual Governance Statement
Anti-Fraud & Corruption	ALL	2	Review and update of probity policies
NFI	ALL	13	Submission of data for the 2018 exercise
RESOURCES			
Heath & Environment			
Licensing Adminstration and Enforcement	4	15	Review of operational activity to ensure compliance with regulatory requirements
Safeguarding	3	15	Review of the Council's Safeguarding arrangements
Customer & ICT			
ICT review	4	10	Review to be determined
Finance			
Creditors	4	15	Risk based review of key financial system
Income collection	3	15	Risk based review of key financial system
DEVELOPMENT SERVICES			
Parks, Leisure and Cultural Services			
Maintenance and Inspection Regimes: Trees & Playgrounds	3	20	Review of operational arranagment to ensure risks are being effectively managed
Technical Services			
Building Control	3	15	Risk based review of statutory services
Coastal Defence Project	ALL	5	Risk management pro - active support
Planning & Regeneration			
Housing Standards (inc HMO)	4	15	Review to ensure compliance with recent changes in legislation
GENERAL AREAS			
Post Audit Reviews	ALL	5	Follow up of agreed actions
Contingency / Irregularities		5	Unplanned reviews / contingency
Committee Reporting / Effectiveness Review	All	15	Preparation of reports and attendance at Audit & Standards Committee
FYLDE COUNCIL		**180**	

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	20 SEPTEMBER 2018	5

CORPORATE GOVERNANCE ACTION PLAN

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

SUMMARY

The report provides an action plan for those improvement actions identified within the corporate governance statement which the Committee considered and approved on 24 May 2018.

RECOMMENDATION

The Committee notes the action plan and that an update report will be brought to a future meeting of the committee.

SUMMARY OF PREVIOUS DECISIONS

24 May 2018 – Annual Governance Statement approved by committee

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

REPORT

1. At the 24 May 2018 meeting of the Audit and Standards Committee, the committee approved the Annual Governance Statement with three actions identified for the 2018/19.
2. The Action Plan was previously presented to the Audit and Standards Committee as a part of the Corporate Governance Statement and members sought an update on the completion of its actions. This report provides such an update.
3. The action plan is detailed below and commentary on actions to date is given at paragraph 4.

No.	Area Requiring Action	Senior Responsible Officer	Completion Date
1	Material compliance with General Data Protection Regulations (GDPR)	Ian Curtis	25th May 2018
2	Reviewing the effectiveness of the Project Management methodology and consider the pertinence of the current format	Alex Scrivens	End of November 2018
3	Ensure good governance arrangements are maintained	Corporate Governance Group, together with the newly appointed Head of Internal Audit	Ongoing

4. In terms of compliance with GDPR, the council has reviewed all main systems which process personal data, has introduced processes such as records of processing activity and has designed at Data Protection Officer. An on-going programme of training and awareness raising on GDPR is also taking place throughout the organisation.

5. With respect to ensuring good governance arrangements are in place, the Corporate Governance Group meets on a regular basis, comprising Director of Resources, Section 151 Officer, Head of Governance and Shared Head of Internal Audit. The Group keeps under review the various facets of the governance framework, and considers evidence regarding the governance of the authority, culminating with the production of the Council's Annual Governance Statement. During the course of 2018, the Council's Constitution is also being reviewed. This work is on-going with any proposals to be formally considered by both the Council's Audit and Standard Committee and Council in due course.

6. Work to review the effecetivemeness of the Project Management methodology is currently underway and will be completed by the end of November 2018, in line with the Action Plan timeframe.

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	tracy.manning@fylde.gov.uk & Tel 01253 658521	4/9/18

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Annual Governance Statement		Council offices

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	20 SEPTEMBER 2018	6
ANNUAL AUDIT LETTER 2017/18			

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

SUMMARY OF INFORMATION

The Committee is requested to note the contents of the Annual Audit Letter for the financial year 2017/18 issued by the Council's external auditors, KPMG. The Audit Letter details the auditor's opinion on the Council's performance and financial management. The opinion of KPMG is also provided on the Council's preparation of its financial statements. KPMG issued an unqualified opinion on the Authority's financial statements for 2017/18 on 31st July 2018.

Appendix A: Annual Audit Letter 2017/18

SOURCE OF INFORMATION

The Annual Audit Letter for 2017/18 provided by the Council's external Auditors for that year, KPMG.

WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

It is a statutory requirement that this report is presented for information purposes to the appropriate committee of the Council. The report also ensures that members of the committee are aware of the completion of the final stage in the external audit of the Statement of Accounts for 2017/18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

FURTHER INFORMATION

Paul O'Donoghue, Chief Financial Officer, contact: 01253 658566

e-mail: paul.o'donoghue@fylde.gov.uk

KPMG

Annual Audit Letter 2017/18

Fylde Borough Council

—

16 August 2018

Section one

Summary for Audit and Standards Committee

Section one:

Summary for Audit and Standards Committee

This Annual Audit Letter summarises the outcome from our audit work at Fylde Borough Council ("the Authority") in relation to the 2017-18 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole . Materiality for the Authority's accounts was set at £750,000 which equates to around 1.9 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit and Standards Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £37,000 for the Authority.

We have identified no audit adjustments.

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- **Valuation of PPE** – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued at least every five years. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. The Authority is the administrating body for a significant £19.825m local Coastal Protection Scheme. The scheme therefore involves significant transactions for the Authority, and such schemes are often complex, time consuming and at risk of significant year on year slippage.
- **Pensions Liabilities** – The net pension liability represents a material element of the Authority's balance sheet. It represents the net balance of the Pension Liability and the Pension Asset. The Authority is an admitted body of Lancashire County Council Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the gross pension liability then relies on the application of a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There is a risk that the assumptions and methodology used in the valuation of the Authority's gross pension liability are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

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Summary for Audit and Standards Committee (cont.)

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. We did not identify any significant value for money risks.

High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

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Summary for Audit and Standards Committee (cont.)

Certificate

We issued our certificate on 15 August 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017-18 was £47,700, excluding VAT (2016-17: £47,700). Further detail is contained in Appendix 2.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

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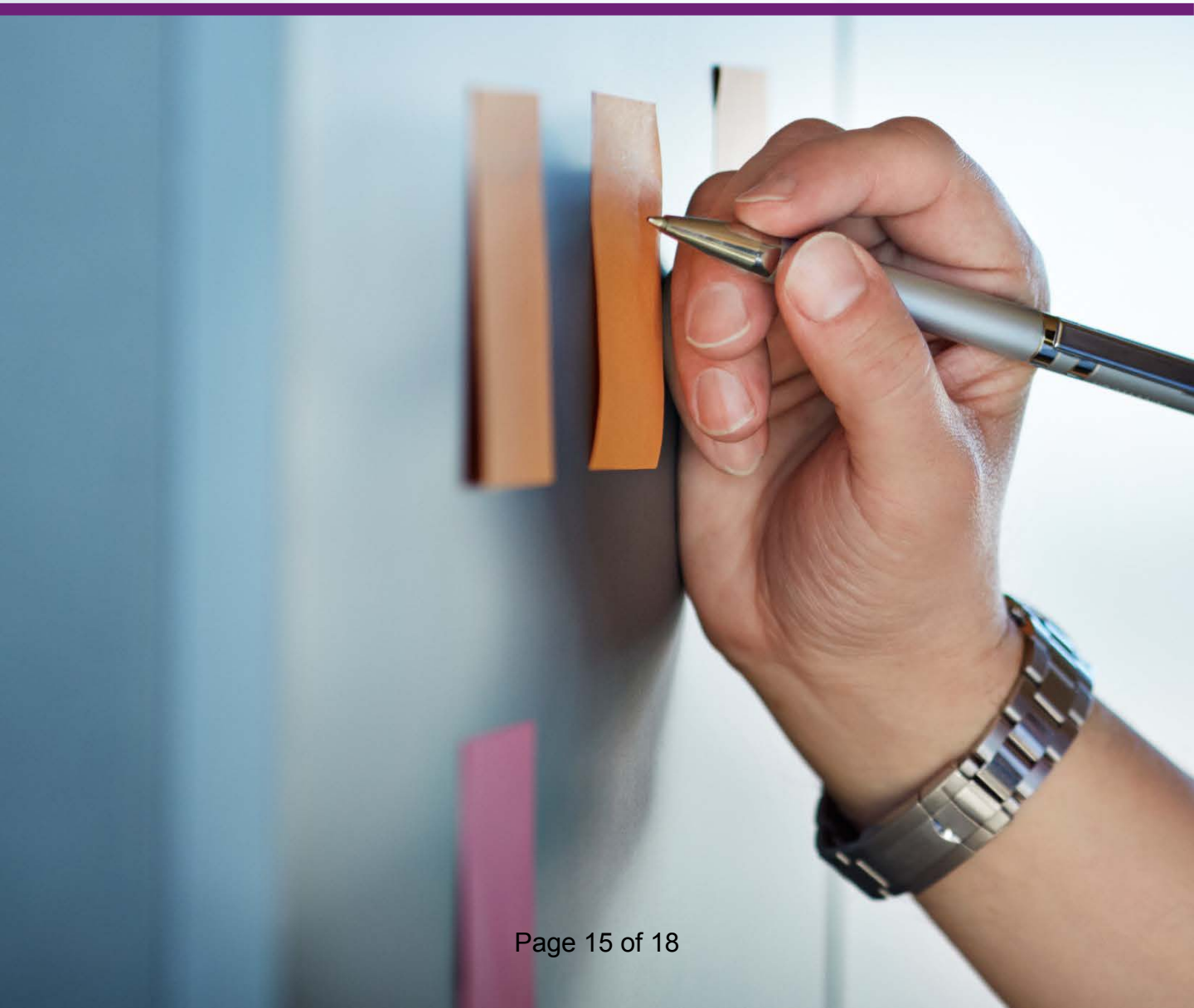
Appendices



Appendix 1:

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority's website at www.fylde.gov.uk.

2018

January

February

March

April

May

June

July

August

September

October

Certification of Grants and Returns

This letter summarised the outcome of our certification work on the Authority's 2016-17 grants and returns.

External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to support the VFM conclusion.

Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Auditor's Report

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.

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Appendix 2:

Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

External audit

Our final fee for the 2017-18 audit of the Authority was £47,700, which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The planned fee for this work is £8,034 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

Other services

We did not charge any additional fees for other services.

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The key contacts in relation to our audit are:

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

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

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

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