

# Agenda



## AUDIT AND STANDARDS COMMITTEE

Date:	Thursday, 22 September 2016 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	<p>Councillor John Singleton JP (Chairman) Councillor David Donaldson (Vice-Chairman)</p> <p>Councillors Mark Bamforth, Delma Collins, Peter Collins, Roger Lloyd, Edward Nash, Graeme Neale, Roger Small.</p>

	PROCEDURAL ITEMS:	PAGE
1	<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.	1
2	<b>Confirmation of Minutes:</b> To confirm the minutes, as previously circulated, of the meeting held on 28 July 2016 as a correct record.	1
3	<b>Substitute Members:</b> Details of any substitute members notified in accordance with council procedure rule 24(c).	1
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4	<b>Contract Procedure Rules</b>	3 - 14
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9	<b>Update of the Risks within the Strategic Risk Register</b>	96 - 98
10	<b>Regulation of Investigatory Powers Act 2000: Authorisations</b>	99 - 100

Contact: Katharine McDonnell - Telephone: (01253) 658423 – 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
HEAD OF GOVERNANCE	AUDIT AND STANDARDS COMMITTEE	22 SEPTEMBER 2016	4
<b>CONTRACT PROCEDURE RULES</b>			

## PUBLIC ITEM

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

## SUMMARY

An internal audit report has recommended that changes be made to the council's contract procedure rules. This report sets out the detailed changes proposed in response to the audit recommendations and asks the committee to recommend them for adoption by the council.

## RECOMMENDATION

1. Recommend that the Council adopt the changes to its contract procedure rules set out in paragraphs 3 and 4 of the report.

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

## REPORT

1. The contract procedure rules form part of the council's constitution and govern the procurement and administration of contracts for the provision of works, goods and services to the council.
2. A recent internal audit report<sup>1</sup> highlighted some areas where changes to contract procedure rules would improve their clarity and effectiveness. This report sets out amendments to the rules proposed in response to the audit report. Only the full council can make changes to the constitution (apart from administrative changes). The committee is asked to recommend the changes for adoption by the council.

<sup>1</sup> Procurement Services, March 2016

3. The table below sets out the audit observations and agreed actions and recommendations and the changes proposed in response.

Audit Observation	Agreed Action	Proposed change to Rules
Whilst there is a 'Guide to Buying for the Council' which supplements the Council's Contract Procedure Rules, such guidance was not referred to in the rules stating that these provisions must also be complied with when purchasing goods, works or services	An administrative amendment to the Contract Procedure Rules will be made to reference the 'Guide to Buying for the Council'.	Insert the following as paragraph 1.3 of the rules: <i>'Buyers should also refer to the "Guide to Buying for the Council", which is available on the council's intranet'.</i>
The existing Contract Procedure Rules imply that using framework agreements is acceptable but outside the CPRs themselves. Using a framework agreement should be encompassed within the Council's rules and procedures	An administrative amendment to the Contract Procedure Rules will be made to encompass the use of framework agreements within the rules and procedures.	Delete 1.2(5), which excludes framework agreements from the application of the rules.  In the table in paragraph 2, Include "Framework agreement" as one of the available options for each of the following categories of contract: small contract, mid-range contract, large contract.  Insert a new row at the bottom of the table in paragraph 3 (description of procedures) as follows:  <i>"Framework agreement</i>  <i>The procedure is that the relevant director must satisfy himself that the framework agreement has been let in compliance with all relevant legislation and can lawfully be accessed by the council.</i>  <i>Goods, services or works supplied through a framework agreement must be ordered in compliance with the specific rules and procedures for accessing that framework."</i>
The Council's Contract Procedure Rules do not apply where a contract has been let by another public authority, as long as that authority had obeyed its own rules. However, no assurance concerning this was obtained or held by Fylde.	An administrative amendment to the Contract Procedure Rules will be made to include the requirement that written assurance must be obtained and held, where a contract has been let by another public authority, to confirm that authority has obeyed its own rules.	In paragraph 1.2(v) (renumbered from paragraph 1.2(vi)), insert the following at the end: <i>"and the relevant director holds written confirmation of such compliance"</i>

4. A further amendment, set out below, is also proposed to clarify that it is the responsibility of the relevant director, not the Chief Financial Officer, to satisfy himself that budgetary provision exists to cover any new contract.

In paragraph 2.4, replace “*obtain written confirmation from the Chief Financial Officer that budgetary provision exists to cover the*” with “*determine a realistic pre-estimate of the anticipated*” and add at the end of the paragraph: “*,and satisfy himself that budgetary provision exists to cover them*”.

5. A copy of the rules, showing the changes proposed, is attached to the report.

IMPLICATIONS	
Finance	Appropriate contract procedure rules are an important part of the Council’s overall financial management framework and contribute to good governance arrangements. There are no direct budgetary implications arising from this report.
Legal	The contract procedure rules govern the letting of contracts
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications

LEAD AUTHOR	TEL	DATE	DOC ID
Ian Curtis	01253 658506	6 September 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit report: Procurement Services	March 2016	Town Hall, Lytham St Annes
Contract Procedure Rules	January 2015	<a href="https://fylde.cmis.uk.com/fylde/DocumentsandInformation.aspx">https://fylde.cmis.uk.com/fylde/DocumentsandInformation.aspx</a> or Town Hall, Lytham St Annes

#### Attached documents

1. Part 4b – Contract Procedure Rules

## PART 4b – CONTRACTS PROCEDURE RULES

**PART 4b – CONTRACTS PROCEDURE RULES**Effective from ~~XXXXXXXXXX20-May-2015~~Approved by Council on ~~XXXXXXXXXX30-March-2015~~**1 GENERAL**

1.1 Subject to rule 1.2, every contract made by or on behalf of the Council shall comply with:

- (i) these Rules;
- (ii) the Council's Financial Regulations;
- (iii) all relevant statutory provisions, including in particular the Local Government Act 1988, Part II, the Public Contracts Regulations 2006 and the Local Government (Contracts) Act 1997;
- (iv) any relevant European Council Directive; and
- (v) any direction by the Council or the relevant committee.

1.2 These Rules shall not apply or may be varied where or to the extent that:

- (i) the Council or the relevant committee so resolves;
- (ii) statute or subordinate legislation prescribes otherwise;
- (iii) subject to rule 16, the contract is for consultancy services;
- (iv) the contract is for the services of counsel, professional witnesses or external solicitors in relation to a specific matter;
- ~~(v) the contract is for the supply of goods or services whose price is fixed under or determinable by reference to a framework agreement which has been entered into following the procedure in rule 6 or by another public authority.~~
- ~~(vi)~~(v) The contract has been dealt with by another public authority under a procedure that complies with that authority's contracts procedure rules for contracts of that kind and the relevant director holds written confirmation of such compliance;
- ~~(vii)~~(vi) the contract relates to goods bought at an auction; or
- ~~(viii)~~(vii) the contract is for goods, works or services of a sensitive nature (such as security) where publication of the tender documents would constitute a security breach and undermine the effectiveness of the final product; or
- (viii) The contract is covered by the Land Transaction Procedure Rules

~~(ix)~~1.3 Buyers should also refer to the "Guide to Buying for the Council", which is available on the council's intranet.

**2 PROCEDURES**

2.1 All contracts will be dealt with under one of the procedures available for that type of contract as set out in the table below.

Type of contract	Definition	Available procedures
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Part 4b, Page 1 of 9

Updated: ~~January 2015~~XXXXXXXXX

## PART 4b – CONTRACTS PROCEDURE RULES

Exempt contract	<p>A contract where the estimated value of goods and services to be supplied is £10,000 or more and other procedures cannot practicably be followed because:</p> <ul style="list-style-type: none"> <li>(i) the contract is an extension of an existing contract;</li> <li>(ii) the contract is for spot purchasing fuel or utilities;</li> <li>(iii) the goods, materials or works desired are of a proprietary or special character or for other reasons there would be no genuine competition; or</li> <li>(iv) in the opinion of the Chief Executive the need for the goods materials or works is urgent.</li> </ul>	Qualified informal procedure
Small contract	A contract where the estimated value of goods and services to be supplied is less than £10,000.	Informal procedure; Request for quotation Electronic auction Constructionline <b>Framework agreement</b>
Mid-range contract	A contract (other than an exempt contract) where the estimated value of goods and services to be supplied is £10,000 or more, but less than £100,000.	Request for quotation Open tendering Restricted tendering Electronic auction Constructionline <b>Framework agreement</b>
Large contract	A contract (other than an exempt contract) where the estimated value of goods and services to be supplied is £100,000 or more	Open tendering Restricted tendering Electronic auction Constructionline <b>Framework agreement</b>

2.2 The relevant director must decide which one of the available procedures to use unless the Council, a meeting of the relevant committee, or the Chief Executive has directed otherwise.

2.3 Descriptions of procedures referred to in the table above are set out in rule 3.

Part 4b, Page 2 of 9

Updated: ~~January 2015~~XXXXXXXX

## PART 4b – CONTRACTS PROCEDURE RULES

- 2.4 Before entering into a contract for the purchase of any goods or services or the execution of any work, the relevant director must ~~determine a realistic pre-estimate of the anticipated obtain written confirmation from the Chief Financial Officer that budgetary provision exists to cover the costs associated with the contract, including any maintenance costs, and satisfy himself that budgetary provision exists to cover them.~~

### 3 DESCRIPTION OF PROCEDURES

- 3.1 The table below contains descriptions of the procedures referred to in rule 2.1

Procedure	Description
Qualified informal procedure	The procedure is that the relevant director must be satisfied that the arrangements made secure the best available terms to the Council and must report the circumstances to the next available meeting of the relevant committee.
Informal procedure	The procedure is that the relevant director must be satisfied that the arrangements made secure the best available terms to the Council.
Request for quotation	<p>The procedure is the relevant director must invite at least three quotations using an approved procurement portal or, if he is satisfied that the interests of the council and the public interest are best served by doing so, by inviting hard copy quotations.</p> <p>Hard copy quotations must be opened at the same time and in the presence of at least two officers who should include one officer from the directorate concerned who had no previous involvement in the bidding process and the Head of Governance or his nominee.</p>
Open tendering	<p>The procedure is that the relevant director must invite tenders using an approved procurement portal or, if he is satisfied that the interests of the council and the public are best served by doing so, by inviting hard copy tenders as set out in rule 4.</p> <p>The time allowed for return of tenders must be at least 14 days.</p>
Restricted tendering	The procedure is the same as or open tendering, save that tenders are only to be invited from at least three, but no more than six, prospective tenderers included on a list compiled in



## PART 4b – CONTRACTS PROCEDURE RULES

	<p>accordance with rule 5, except that:</p> <ul style="list-style-type: none"> <li>(i) If the list contains less than three prospective tenderers, all must be invited to tender;</li> <li>(ii) If the director, after consulting the Chief Financial Officer, considers a prospective tenderer unsuitable they need not be invited to tender and the director must record in writing the reasons why they were not so invited.</li> </ul>
Electronic auction	The procedure is set out in rule 6.
Constructionline	<p>The procedure is the same as for open tendering, save that tenders are only to be invited from at least three, but no more than six, appropriately qualified persons included in the Constructionline register.</p> <p>The persons invited to tender must be selected at random from those appropriately qualified, save that for contracts where the estimated value of goods and services to be supplied is less than £75,000, selection of up to half of those persons invited to tender may be on the basis of their previous contracting history with the council.</p>
Framework agreement	<p>The procedure is that the relevant director must be satisfied that the framework agreement has been let in compliance with all relevant legislation and can lawfully be accessed by the council.</p> <p>Goods, services or works supplied through a framework agreement must be ordered in compliance with the specific rules and procedures for accessing that framework.</p>

- 3.2 “Approved procurement portal” means a procurement portal approved for the time being by the Director of Resources and notified on the procurement pages of the council’s intranet.

#### 4 HARD COPY TENDERING

- 4.1 Hard copy tendering should only be used in exceptional circumstances. This rule sets out how it should be carried out.

## PART 4b – CONTRACTS PROCEDURE RULES

- 4.2 The relevant director must give public notice in one or more local newspapers, on the council's website and, if the estimated value of goods and services to be supplied exceeds £50,000, (except where 4.4 applies) in one or more appropriate trade journals (if they exist).
- 4.3 The notice must set out the nature and purpose of the contract, invite tenders, give instructions on how to submit a tender and state the closing date for tenders (including reference to the fact that tenders will not be accepted after 12.00 noon on that date).
- 4.4 Where a contract notice in the appropriate form is placed in the Official Journal of the European Union, there is no need to advertise in a trade journal.
- 4.5 No tender or may be considered unless:
- (i) it has been recorded as having been received no later than 12.00 noon on the closing date for the receipt of tenders; and
  - (ii) it has been received in a sealed envelope marked "Tender for [name of contract]" and the envelope had no marking identifying the tenderer.
- 4.6 All tenders must be opened together in the Town Hall or other Council offices.
- 4.7 The following persons must be present when tenders are opened:
- (i) the chairman or vice-chairman of the relevant committee;
  - (ii) the Head of Governance or an officer nominated by him or her; and
  - (iii) the director or, if it is impracticable for him or her to attend, another senior officer of the same directorate.
- 4.8 At the time of opening of the tenders, the Head of Governance or his nominee must ensure that a record is made of all the tenders received and their values.

**5 COMPILATION OF LISTS**

- 5.1 This rule sets out how lists are to be compiled for restricted tendering
- 5.2 The relevant director must give at least ten days notice of the compilation of a list from which persons are to be invited to tender.
- 5.3 The notice must set out the nature and purpose of the contract and state the closing date for applications to be included in the list of persons to be invited to tender.

**6 ELECTRONIC AUCTIONS**

- 6.1 Under this procedure the relevant director must give at least ten days public notice of the compilation of a list from which persons are to be invited to bid.
- 6.2 The notice must set out the nature and purpose of the contract, state the closing date for applications to be included in the list of persons to be invited to bid.
- 6.3 All of the applicants to be included in the list must be invited to bid, except that if the director, after consulting the Chief Financial Officer, considers that an applicant is unsuitable or does not have the technical capacity to participate in the tender process, that applicant need not be invited to bid. The director must record in writing why that applicant was not invited to bid.

## PART 4b – CONTRACTS PROCEDURE RULES

- 6.4 The invitation to bid must state that the contract is to be let by way of electronic auction and that instructions on how to participate in the auction will be sent by email to those invited to participate.
- 6.5 The instructions must, when considered with any additional guidance and training provided to bidders, be sufficient to allow them to participate in the electronic auction and must set out the start and end times of the auction and the circumstances in which any automatic extensions of time will be triggered.
- 6.6 The tender process must be by way of an auction conducted over the Internet, in which bidding for the contract is conducted openly and in competition between bidders and in which bidders may make unlimited repeat bids.
- 6.7 The “leading bid” is the lowest bid if payment is to be made by the Council or the highest bid if payment is to be received by the Council.
- 6.8 The director must satisfy himself that the tender process:
- (i) allows all bidders to see the amounts of the bids of all other bidders (but not necessarily their identities);
  - (ii) allows all bidders equal access to post their bids;
  - (iii) complies with the start and end times and the extension triggers set out in the instructions to bidders;
  - (iv) Is sufficiently secure to protect the commercial confidentiality of the council and bidders, consistent with the purposes of an electronic auction; and
  - (v) generates an audit trail of the process.
- 6.9 The director must accept the leading bid at the end time of the auction. Any other bid may be accepted only if the Chief Financial Officer is satisfied that to do so is in the best interests of the Council. The reasons for and circumstances of that acceptance must then be reported to the next meeting of the relevant committee.

**7 SPECIFICATIONS AND EVALUATION CRITERIA**

An invitation to tender or bid for a contract whose value is estimated to exceed £10,000 must include:

- (i) a detailed specification comprising a description of the services, supplies or works that the successful tenderer will be expected to provide. It must incorporate performance targets or criteria for acceptance of the services, supplies or works. It must form the basis of the written contract agreed between the Council and the supplier; and
- (ii) if criteria in addition to price are to be used, a description of the criteria that the council intends to take into account in deciding which tender to accept and the weighting that it intends to apply to those criteria.

**8 RECEIVING TENDERS AND QUOTATIONS**

- 8.1 This Rule applies where tenders or quotations have been invited. It also applies to applications to be included in the list of persons to be invited to bid under rule 5 or 6.

## PART 4b – CONTRACTS PROCEDURE RULES

- 8.2 No bid or application to be invited to bid may be considered unless it complies with all directions and requirements set out in relation to it (including the requirements of any relevant approved portal) and has in accordance with these rules or the procedures of the relevant approved portal.

## 9 ACCEPTING TENDERS AND QUOTATIONS

- 9.1 When exercising any delegated power to accept a tender or quotation, the director must:
- (i) if evaluation criteria were specified in the invitation to tender or quotation, accept the tender or quotation that scores most highly using the criteria and weightings set out; or
  - (ii) if no such criteria were specified and if he is satisfied as to financial and technical suitability, normally accept the lowest tender or quotation if payment is to be made by the Council or the highest tender if payment is to be received by the Council.
- 9.2 Any other tender or quotation may be accepted only if the Chief Financial Officer is satisfied that to do so is in the best interests of the Council. The reasons for and circumstances of that acceptance must then be reported to the next meeting of the Finance and Democracy Committee.
- 9.3 No tender or quotation that exceeds the pre-estimate by more than 20% may be accepted without the approval of the Chief Executive following consultation with the chairman of the Finance and Democracy Committee.
- 9.4 All tenders or quotations must be examined for errors and discrepancies. Where that examination reveals errors or discrepancies which would affect the figures in an otherwise successful tender or quotation, the chief officer must give details of the errors or discrepancies to the bidder and invite the bidder to confirm the tender or quotation as submitted, or withdraw it. If the tender or quotation is withdrawn, consideration of the tenders or quotations will then proceed as if that tender or quotation had not been submitted.
- 9.5 After exercising any delegated power to accept a tender or quotation, the director must ensure that a record of the contract is placed on any contract register maintained within the relevant approved portal and provide sufficient details of the contract to the Head of Governance for him to arrange for the contract to be registered on the council's own contract register.

## 10 STANDSTILL PERIOD

- 10.1 The successful bidder should be notified promptly following acceptance of the tender or quotation with an "Alcatel" letter. A template of this letter can be downloaded from the 'Going out to tender' page on the Council's intranet.
- 10.2 All unsuccessful bidders should be notified promptly with an "Alcatel" letter and must include the scores of the successful bidder against the individual unsuccessful bidders scores and a summary of reasons for the scores. The letter must also include a list of bid prices and bidders, although the names of the firms submitting bids should not be matched to the prices. A template of this letter can be downloaded from the 'Going out to tender' page on the Council's intranet
- 10.3 The Council cannot award a contract until the minimum standstill period of 11 days has been completed.
- 10.4 If you receive a request for a debrief from any of the unsuccessful bidders during the standstill period, they must be seen within the standstill period. If this is not possible then the standstill period MUST be extended for a debrief to take place.

## PART 4b – CONTRACTS PROCEDURE RULES

- 10.5 After the debrief if the unsuccessful bidder is asked to provide further evidence by the Council or the unsuccessful bidder requests the council to provide additional information, Then the standstill period MUST be extended to allow this to happen
- 10.6 Once this period has been completed and there has been no legal challenges by any of the unsuccessful bidders an award letter can be issued to the successful bidder.
- 10.7 A further letter should be issued to the unsuccessful bidders notifying them that the standstill has been completed and an award letter has been issued.
- 10.8 By following rule 10.7 if the Council receives a legal challenge by an unsuccessful bidder, it reduces the time limit from 6 months to 30 days from the day after the date when the Council has awarded the successful bidder the contract.
- 10.9 If one or more of the unsuccessful bidders challenge the award after the standstill period has been completed then seek advice from the Council's legal team.

**11 POST-TENDER NEGOTIATIONS**

- 11.1 After the receipt of tenders, officers may need to contact tenderers to clarify technical and contractual information as part of the evaluation process. Any such communication must be confidential and a written record made of the reason for contact and the decision made.
- 11.2 Negotiations after the submission of a tender may only be commenced after the chief officer has agreed with the Head of Governance the procedures to be adopted. Similarly, any resulting contract must be approved by the Head of Governance.

**12 NOMINATED SUB-CONTRACTORS**

- 12.1 This Rule applies where a sub-contractor or supplier is to be nominated to a main contractor.
- 12.2 If the estimated amount of a sub-contract exceeds £10,000, tenders for the nomination must be invited and dealt with in accordance with these Rules as if the tenders invited were for a contract with the Council, unless the relevant director considers that it is not reasonably practicable to obtain competitive tenders,
- 12.3 Any invitation for nomination under Rule 12.2 must require the tenderer to agree that if selected they will enter into a contract with the main contractor which indemnifies the main contractor in relation to the works or goods included in the sub-contract.

**13 WRITTEN CONTRACTS AND CONTRACT RECORDS**

- 13.1 Every contract which exceeds £10,000 in value must be in writing and must specify:
  - (i) the work to be done, or services or goods or materials to be provided, including any appropriate technical specifications;
    - (a) the price to be paid, with a statement of discounts or other deductions; and
    - (b) the time or times within which the contract is to be performed.
- 13.2 The relevant chief officer must keep such records of the letting and management of every contract as he considers appropriate or as the Director of Resources may direct.

## PART 4b – CONTRACTS PROCEDURE RULES

**14 BRITISH AND EUROPEAN STANDARDS**

The contract must require goods and materials to comply with any relevant specification issued by the British Standards Institution or any European Standard, unless the director considers it inappropriate.

**15 PREVENTION OF BRIBERY**

Every contract that exceeds £50,000 in value must include a clause allowing the Council to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation if:

- 15.1 the contractor has offered or given or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or not doing anything relating to the contract or any other contract with the Council or for favouring or not favouring any person in relation to such contract;
- 15.2 similar acts have been done by any person employed by the contractor or acting on their behalf; or
- 15.3 the contractor or any person employed by them or acting on their behalf has committed any offence under the Bribery Act 2010 or given any fee or reward the receipt of which is an offence under Section 117 of the Local Government Act 1972.

**16 CONSULTANTS**

These Rules apply to the engagement of consultants, with the proviso that in circumstances requiring flexibility or where there are specialised needs, the relevant director may agree alternative arrangements with the Chief Executive.

**17 BREACH OF CONTRACTS PROCEDURE RULES**

In the event of a significant breach of these Rules, the Chief Financial Officer shall report details to the next meeting of the Finance and Democracy Committee, with any proposals for remedial action.

# DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	22 SEPTEMBER 2016	5
<b>INTERNAL AUDIT CHARTER UPDATE</b>			

## PUBLIC ITEM

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

### SUMMARY

The introduction of the Public Sector Internal Audit Standards in April 2013 required the adoption of an Internal Audit Charter to establish the framework in which Fylde Council's Internal Audit Service could operate. The first Internal Audit Charter under the Standards was approved by the former Audit Committee on 14th November 2013. This report presents the updated version for 2016 for the approval of the Committee.

### RECOMMENDATION

The Committee approves the updated Internal Audit Charter.

### SUMMARY OF PREVIOUS DECISIONS

The former Audit Committee approved the first Internal Audit Charter under the Public Sector Internal Audit Standards on 14th November 2013. The first update was approved on 26 March 2015.

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

## REPORT

1. The work of Internal Audit is governed by the UK Public Sector Internal Audit Standards, which came into force on 1 April 2013. The original Standards comprised a definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The 2016 version added a Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing. The Standards are mandatory for all internal auditors working in the UK public sector.
2. One of the requirements of the Standards was the need for the Council to adopt an Internal Audit Charter to establish the framework in which the Internal Audit Service could operate to best serve the Council and to meet its professional obligations. On 14 November 2013 the former Audit Committee adopted such a document.
3. In accordance with the Standards, the Charter must be reviewed periodically and approved by the Audit Committee. This is the second update of the Internal Audit Charter to accord with current corporate arrangements and to reflect the Standards more specifically.
4. The following additions to the Charter have been made:
  - Paragraph 3.1 - sets out the mission of internal audit as expressed in the Standards 2016
  - Paragraph 3.2 - describes the core principles for the professional practice of internal auditing now included in the Standards
  - Paragraph 3.6 - states the responsibility of the Head of Internal Audit to provide an annual opinion
  - Paragraph 8.1 - explains the means of delivering the internal audit service
  - Paragraph 8.7 - explains that responsibility for internal control and risk rests with managers
  - Paragraphs 9.1/2 - refers to and defines conflict of interest
  - Paragraphs 10.3/4 - refers to the maintenance of independence and objectivity by internal auditors
  - Section 11 - sets out the arrangements for development of a risk-based annual plan
  - Paragraph 14.6 - refers to the independent corporate fraud resource
  - Section 15 - defines the arrangements for appropriate resourcing of internal audit
  - Paragraphs 17.5/6 - explains how the results of the external assessment of internal audit will be reported
5. Other minor amendments to the Internal Audit Charter have been made but these make no significant difference to the meaning or substance.
6. The Internal Audit Charter 2016 is attached as an Appendix to this report.




IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2015 require the Council to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.</p> <p>The adoption of the revised Internal Audit Charter will ensure that the Council's Internal Audit service continues to be delivered in accordance with mandatory guidance and best professional practice.</p>
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications

LEAD AUTHOR	TEL	DATE	DOC ID
Savile Sykes	01253 658413	22 September 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Charter 2013	14/11/2013	All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email <a href="mailto:saviles@fylde.gov.uk">saviles@fylde.gov.uk</a>
Internal Audit Charter 2015	26/05/2015	

#### Attached documents

1. Appendix: Internal Audit Charter 2016

FYLDE COUNCIL – INTERNAL AUDIT		
Topic	Internal Audit Charter	

## 1. Introduction

1.1 This charter establishes the framework in which Fylde Council's Internal Audit Service operates to best serve the Council and to meet its professional obligations under the Public Sector Internal Audit Standards (PSIAS) which were applicable from 1 April 2013.

1.2 The Standards require all internal audit services to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

1.3 For local government in the United Kingdom the Chartered Institute of Public Finance and Accountancy's (CIPFA) is the relevant standard setter. CIPFA has adopted the PSIAS which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework, including its definition of internal auditing, code of ethics, and international standards for the professional practice of internal auditing.

## 2. Definitions

2.1 For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit and Standards Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this should mean the Management Team.

Chief Audit Executive - the officer in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the Standards. At the Council this shall mean the Head of Internal Audit.

## 3. Mission, Principles and Purpose

3.1 The mission of internal audit is expressed with the Standards as follows:


'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

3.2 The Core Principles for the professional practice of internal auditing established by the Standards articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. Failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission. To comply with the Core Principles internal audit practice:

- Demonstrates integrity

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- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

3.3 The purpose of internal audit is best summarised through its definition within the Standards as 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.’

3.4 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit performs a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

3.5 This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

3.6 It is the responsibility of the Head of Internal Audit to provide an independent and objective opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The Head of Internal Audit’s annual report is presented to those charged with governance and is used to support the Council’s Annual Governance Statement.


#### 4. Authority

4.1 Within local government internal audit is a statutory function in the context of the Accounts and Audit Regulations 2015, which states that a relevant body must:

‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

4.2 The PSIAS and their accompanying Local Government Application Note have been recognised as ‘proper practices’ by the Department for Communities and Local Government, which sponsors

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the Accounts and Audit Regulations.

4.3 In addition the Local Government Act 1972 (Section 151) states that local authorities are required to 'make arrangements for the proper administration of their financial affairs'. It is this legislation that requires internal audit to maintain a focus on internal financial controls as well as the controls over the council's wider risks as required by the Accounts and Audit Regulations.

4.4 The council's Financial Procedure Rules provide for the internal audit service to have right of access to all manual records and electronic systems and be entitled to require the production of all cash, assets, stores and accounts and any supporting documents, and to obtain information and explanations from any employee of the Council with regard to any matter under examination.

## 5. Responsibility

5.1 The responsibility for maintaining an adequate and effective system of internal audit within the Council lies with the Chief Financial Officer (S151 Officer).

5.2 The Head of Internal Audit is responsible for effectively managing the internal audit activity in accordance with the 'Definition of Internal Auditing', the 'Code of Ethics' and 'the Standards'.

## 6. Scope of Internal Audit activities

6.1 Internal Audit is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

6.2 The scope of internal audit's remit includes the authority's entire control environment and encompasses all of the Council's activities. Internal Audit work will cover all of the operational and management controls within the Council not just financial controls. However, this does not imply that all systems will be subjected to review, but that all systems will be included in the audit planning process and hence be considered for review following the assessment of risk.


6.3 In determining where effort should be concentrated, the Head of Internal Audit will take into account the level of assurance required, the significance of the objectives under review, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

6.4 The scope of internal audit work extends to services provided through partnership arrangements. The Head of Internal Audit should decide, in consultation with all parties, whether internal audit staff should conduct the work to derive the required assurance or rely on the assurances provided by others.

6.5 Internal audit reports are prepared solely for the use of the Council and senior management. Details may be made available to specified partners and external organisations, including external

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auditors, but otherwise reports may not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party for assurance provided may be accepted.

6.6 If the Head of Internal Audit, the Audit and Standards Committee or those charged with governance consider that the level of internal audit resources in any way limits the scope of internal audit work, impacts adversely on the provision of the annual internal audit opinion, or prejudices the ability of internal audit to deliver a service consistent with the definition of internal audit, they should advise the Chief Executive immediately.

## 7. Responsibilities and objectives

7.1 The PSIAS make clear that the provision of assurance services is internal audit's primary role. This role requires the Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. The scope of internal audit work therefore encompasses all of the council's activities including those operated through partnerships with other organisations.

7.2 The Head of Internal Audit will establish an annual risk-based plan that takes into account the requirement to produce an annual evidence-based opinion and the council's wider assurance framework and other sources of assurance.

7.3 The main areas of internal audit responsibility within the authority are to review, appraise and report on:

the soundness, adequacy and effectiveness of the system of internal controls

the application of good practice in corporate governance and risk management

the operations in place to establish and monitor the achievement of the Council's objectives

the adequacy of arrangements in place to secure efficient, effective and economic use of resources


the integrity and reliability of financial and other management data, including aspects of performance management, compliance with corporate policies, procedures, controls and regulations and compliance with government legislation and statutory obligations

the extent to which the assets and interests are properly controlled, accounted for and safeguarded from loss

7.4 The Head of Internal Audit provides an annual internal audit opinion to the Audit and Standards Committee, based on the outcomes of internal work conducted throughout the year, that key risks are being managed effectively and that appropriate controls are in place. This opinion will be an

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important element of the council's review of the effectiveness of its control environment and will be used by the council to inform its annual governance statement.

7.5 The internal audit service may provide advisory/consultancy services either through formal review and reporting or more informally through discussion or briefing. The nature and scope of the work may include facilitation, process design, problem-solving, training and the conduct of special projects that make a material contribution to the achievement of the Council's aims and objectives, but this list is not exhaustive.

7.6 Internal audit will assist management with counter fraud initiatives and liaise with the independent corporate fraud service in the investigation of fraud and irregularity in accordance with the council's counter fraud policies and practices.

7.7 The Head of Internal Audit will attend Audit and Standards Committee meetings, contribute to committee agendas and support the Audit and Standards Committee in achieving effectiveness in the delivery of its terms of reference.

7.8 Internal audit is not responsible for the activities that it audits or reviews. The existence of internal audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

7.9 Accountability for the response to the internal audit service's advice and recommendations lies with management, which either accepts and implements the advice or accepts the risks associated with not taking action.

## 8. Organisational Independence


8.1 The Council's internal audit service is provided in-house by the Internal Audit team within the Governance service, reporting operationally through the Head of Governance, who is a member of the Management Team, to the Director of Resources. However, internal audit activity is organisationally independent in its planning, operation and reporting.

8.2 The internal audit service remains independent of the council's other services, with the exception of its support to management in relation counter fraud and investigatory work, no internal auditor has any other executive or operational responsibilities. Auditors are expected to deploy impartial, unbiased and effective professional judgement. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

8.3 The internal audit service's priorities are determined in consultation with the Management Team and the council's senior managers, but remain a decision for the Head of Internal Audit.

8.4 The internal audit service has direct access to the council's records, assets, premises and officers and may require such information and explanations as it considers necessary to fulfil its responsibilities. Accordingly the Head of Internal Audit has freedom to report independently and impartially in their own name and without fear or favour to all officers and members and

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particularly the Audit and Standards Committee.

8.5 Audit advice and recommendations for action, including where the internal audit service has been consulted about changes to internal control systems, are given without prejudice to the right of the internal audit service to review and make further recommendations on the relevant policies, procedures, controls and operations at a later date.

8.6 Internal auditors are precluded from delivering non-audit duties that require the establishment or implementation of controls or to assume any operational responsibilities that may prejudice the scope, objectivity and quality of future audit work.

8.7 Internal audit has no executive responsibilities. It is not an extension of, or a substitute for, the function of management. Responsibility for internal control rests fully with managers, who should ensure that arrangements are appropriate and adequate. It is for management to accept and implement audit recommendations or to accept the risk resulting from not taking any action.

8.8 The Head of Internal Audit will confirm to the Audit and Standards Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

## 9. Individual Objectivity

9.1 Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

9.2 A conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult for an auditor to fulfil their duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity and the profession.

9.3 Internal auditors will not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Council.

9.4 All auditors are required to make an annual declaration of their interests, which is updated during the year as necessary, and where any auditor has a real or perceived conflict of interest this is identified and actively managed to maintain the operational independence of the service as a whole.


## 10. Impairment of Independence

10.1 If the independence or objectivity of internal audit is impaired in fact or appearance, the Head of Internal Audit must disclose the details of the impairment to Management Team and, if necessary, to the Audit and Standards Committee. The nature of the disclosure will depend upon the impairment.

10.2 Impairment to organisational independence and individual objectivity may include, but is not

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limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations.

10.3 Internal auditors will ensure that independence and objectivity are maintained in line with the Standards including where non-audit work is undertaken. To manage potential conflicts of interest, internal auditors have no operational responsibilities and any independence issues are highlighted at the planning stage for individual audit assignments.

10.4 Internal auditors will refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

## 11. Planning

11.1 The Head of Internal Audit is responsible for developing a risk-based annual plan that takes account of the requirement to produce an annual internal audit opinion and the assurance framework. It will be developed in accordance with the internal audit charter and how it links to the Council's objectives and priorities.

11.2 The annual audit plan will be submitted to the Audit and Standards Committee before the beginning of the financial year for approval. The plan will be compiled following consultation with Directors, Heads of Service and other stakeholders as appropriate and is documented in the audit plan methodology.

11.3 The risk-based plan will outline the audit assignments to be carried out.

11.4 The audit plan is dynamic in nature and will be reviewed and realigned periodically to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that covers financial materiality and business risks as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of internal audit. It will be responsive, containing an element of contingency to accommodate assignments which could not have been reasonably foreseen.


11.5 Internal Audit will consult with the Council's external auditor and with other relevant inspection and review bodies, as necessary, in order to co-ordinate effort and avoid duplication.

11.6 Awareness of national issues is maintained through subscription to internet resources such as CIPFA's Technical Information Service. In addition there is liaison with external audit and networking with other local authority audit teams achieved primarily through the Lancashire District Councils Audit Group, which meets periodically throughout each year to discuss topical issues, emerging risks and progress specific initiatives.

11.7 As part of the planning process, the Head of Internal Audit will identify other potential sources of assurance and will include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

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11.8 The Head of Internal Audit considers accepting proposed consulting assignments based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements are included in the plan.

11.9 Approval will be sought from the Audit and Standards Committee for any significant additional consulting services not already included in the audit plan, prior to undertaking the engagement.

11.8 For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity, the probability of significant errors, fraud or non-compliance, and the adequacy and effectiveness of the activity's governance, risk management and control processes.

## 12. Accountability, reporting lines and relationships

12.1 The Head of Internal Audit reports to the Head of Governance, who is a member of Management Team, to the Director of Resources. However, internal audit activity is organisationally independent in its planning and operation. The Head of Internal Audit also reports to the Audit and Standards Committee.

12.2 Management Team supports the internal audit service and maintains a privileged cooperative relationship with the Head of Internal Audit based on mutual trust and support within the context of internal audit independence and the Internal Audit Charter. The Head of Internal Audit has unrestricted access to attend Management Team upon request.

12.3 The Head of Internal Audit has direct and unrestricted access to the Director of Resources who has statutory responsibility as the Council's Monitoring Officer under Section 5 of the Local Government and Housing Act 1989, for advising the Council on the legality of its decisions and providing guidance to councillors on the Council Constitution and its powers.


12.4 The Head of Internal Audit has direct and unrestricted access to the Chief Financial Officer, the proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

12.5 The Head of Internal Audit has direct and unrestricted access to the Chief Executive, who carries the responsibility as head of paid service for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

12.6 The Head of Internal Audit has the opportunity to meet with the chair and deputy chair of the Audit and Standards Committee before each committee meeting and at any other time as necessary. The Head of Internal Audit and the Chair of the Audit and Standards Committee have mutual direct and unrestricted access to each other as they consider appropriate.

12.7 Where it is considered necessary to the proper discharge of the internal audit function, the

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Head of Internal Audit has direct access to all elected Members of the Council and in particular those who serve on the Audit and Standards Committee.

12.8 For the purposes of the PSIAS the Audit and Standards Committee is regarded as the 'board'. It meets at least four times each year, and the Head of Internal Audit reports to that committee under its terms of reference. The Audit and Standards Committee is responsible for approving (but not directing) the annual internal audit plan. Final approval of the Internal Audit Charter also resides with the Audit and Standards Committee.

12.9 The internal audit service co-operates with council's external auditor to ensure that duplication of work is minimised and to make certain that scarce resources are used as effectively as possible and address the areas of highest risk.

12.10 The work of internal audit is reported to Corporate Directors, Heads of Service and the Audit and Standards Committee by means of specific reports, and also in summary form to Audit and Standards Committee via half yearly monitoring and activity reports.

### 13. Head of Internal Audit

13.1 The Head of Internal Audit plays an important role in delivering the Council's strategic objectives by championing best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks and commenting on responses to emerging risks and developments.

13.2 The Head of Internal Audit is the most senior audit officer of the Council and must:

be a professionally qualified (CMIIA, CCAB or equivalent) and suitably experienced auditor

be of sufficient status to permit effective discussion and negotiation on the results of audit work, audit strategies, audit reports and action plans with Directors, senior management and the Audit and Standards Committee

hold a senior position in the organisation that reflects the influence of the post on the internal control environment

report to and be managed at corporate management team level


lead and direct an internal audit service that is resourced to be fit for purpose

13.3 Management Team recognises the unique status of the Head of Internal Audit and welcomes constructive challenge and positive criticism from the internal audit service in pursuit of organisational improvement, the enhancement of governance processes and the strengthening of the control environment.

13.4 To ensure the independence of the Head of Internal Audit is safeguarded and that remuneration and performance assessment are not inappropriately influenced by those subject to

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audit, the Chief Executive will both countersign and contribute feedback to the performance appraisal of the Head of Internal Audit. Feedback will also be sought from the Chair of the Audit and Standards Committee.

13.5 Decisions of management concerning the appointment and removal of the Head of Internal Audit must be approved by the Audit and Standards Committee.

13.6 The Head of Internal Audit is responsible for recruiting appropriate internal audit staff, in accordance with the Council's human resources processes.

## 14 Fraud and Corruption

14.1 Internal audit does not have responsibility for the prevention and detection of fraud and corruption. Managing this risk is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

14.2 Internal audit must evaluate the risk of fraud and the manner in which it is managed by the organisation, but is not expected to have the expertise of those whose primary responsibility is detecting and investigating fraud. The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

14.3 In accordance with the annual audit plan, internal auditors will plan and evaluate their work so as to have a reasonable expectation of identifying any significant weaknesses in internal controls that may result in exposure to fraud.

14.4 Internal auditors should always be alert in their work to the risks and exposures that could allow fraud or corruption to occur and to any indication that fraud or corruption may have taken place. The Head of Internal Audit considers all suspected or detected internal fraud, corruption or irregularity and evaluates the implications for the internal control environment.


14.5 In accordance with the Council's Financial Procedure Rules internal audit should be informed of all suspected or detected fraud, corruption and irregularity for the purpose of informing opinion on the control environment and internal audit work programme. At the request of management internal audit may go beyond the work needed to meet its assurance responsibilities and actively respond to and assist management in the investigation of such reported instances.

14.6 An independent corporate fraud resource, external to internal audit, exists to provide fraud management and investigation services to the Council.

## 15 Arrangements for Appropriate Resourcing

15.1 The minimum level of internal audit coverage is that which is required to give a meaningful annual evidence-based opinion. The annual internal audit plan lays out the planned audit resources

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for the year with the objective of providing such an evidence-based opinion.

15.2 Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience to deliver the annual plan as approved, having regard to its objectives, and to the Standards. Achievement of the internal audit annual plan is reported to the Audit and Standards Committee during the year.

15.3 In the event that the annual planning process identifies a need for more audit work than there are resources available, or circumstances arise during the year that resources fall or appear to be falling below the minimum level required to provide an annual evidence-based opinion, the Head of Internal Audit will identify the shortfall and advise the Chief Financial Officer and the Director of Resources followed by the Audit and Standards Committee as required, to assess the associated risks or to recommend that additional resources are identified.

## 16. Proficiency and Due Professional Care

16.1 Internal audit will be resourced appropriately to meet its objectives. It will have sufficient numbers of staff in terms of grades, qualifications, personal attributes and experience or have access to appropriate resources in order to meet its objectives and comply with the PSIAS. The Head of Internal Audit should obtain competent advice and assistance if the service is unable to perform all or part of an assignment.

16.2 The Head of Internal Audit will be professionally qualified in accordance with the Statement on the Role of the Head of Internal Audit and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with members, senior management and other professionals.


16.3 Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review. Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

16.4 The Head of Internal Audit will obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

16.5 Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on continuous professional development, appropriate training, ability, integrity, objectivity and respect.

16.6 Internal auditors will apprise themselves of the 'Definition of Internal Auditing', the 'Public Sector Internal Audit Standards' and the 'Code of Ethics' contained therein, which are all mandatory, and will work in accordance with them in the conduct of their duties.

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16.7 Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

## 17. Quality assurance

17.1 The Head of Internal Audit operates a quality assurance and improvement framework that assesses on-going compliance with the Standards, the Definition of Internal Auditing and the internal auditors' Code of Ethics and whether the internal audit service is consistently meeting its internal quality standards.

17.2 The Head of Internal Audit is responsible for ensuring that audit staff maintain appropriate standards of due care in completing audit assignments. Essential to this requirement is the audit procedure manual, which is kept current by regular review. The manual provides guidance on overall quality of work and performance standards to be achieved. Feedback on quality and effectiveness is also actively sought from clients.

17.3 A regular assessment of the internal audit service's conformance with the PSIAS will be conducted using the checklist included within CIPFA's Application Note and presented to Management Team and the Audit and Standards Committee. The outcome of the exercise will form part of the annual governance statement.

17.4 Periodically, but not less than once every five years, the Internal Audit Service will be subject to an external assessment by a qualified, independent assessor from outside the organisation. This will take the form of a self-assessment in accordance with CIPFA's Application Note, together with an independent external validation by peer review organised through the Lancashire District Council Audit Group, providing there is no conflict of interest.

17.5 The Head of Internal Audit will agree the scope of external assessments with the Chair of the Audit and Standards Committee as well as with the external assessor. The results of the assessment will be reported to Management Team and the Audit and Standards Committee.

17.6 The Annual Report will incorporate a statement on conformance with the Standards, the results of the quality and assurance programme and progress against any improvement plans arising. Instances of non-conformance must be reported to the Audit and Standards Committee. More significant deviations must be considered for inclusion in the Annual Governance Statement.

## 18. Review

18.1 The Head of Internal Audit will periodically review the Internal Audit Charter and present it to Management Team for agreement and the Audit and Standards Committee for final approval.

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# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	22 SEPTEMBER 2016	6
<b>WHISTLEBLOWING POLICY UPDATE</b>			

## PUBLIC ITEM

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

## SUMMARY

The Audit and Standards Committee is responsible for monitoring the Council's Whistleblowing Policy. The policy has recently been reviewed and updated and needs to be formally endorsed.

## RECOMMENDATION

The Committee approves the Whistleblowing Policy attached as an Appendix to this report.

## SUMMARY OF PREVIOUS DECISIONS

The former Audit Committee approved the present Whistleblowing Policy on 21 March 2013.

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

## REPORT

1. The Audit and Standards Committee's areas of responsibility as defined in the Constitution include monitoring council policies on Whistleblowing. The Council has had such a policy in place since 2003, but the most recent version was originally approved by the former Audit Committee in March 2013.
2. The Whistleblowing Policy focuses on workplace whistleblowing and covers employees raising concerns about actual or potential wrongdoing either within the Council or externally with, for example, regulators. When someone blows the whistle they are raising a concern about danger or illegality that affects others such as customers, members of the public, or the Council.
3. Periodically the Whistleblowing Policy is revisited to ensure it reflects prevailing legislation and current best practice. It has now been refreshed to reflect the new corporate arrangements and has also been reviewed against the Whistleblowing Commission's Code of Practice, which sets out the key principles and practices of effective whistleblowing. In addition, the former Business, Innovation and Skills Department recently published a revised list of prescribed persons or bodies to which a whistleblowing issue may be referred.
4. Taking account of the above, the following changes to the policy have been made:
  - Paragraph 4.3 - addition of seven potential detriments or retaliations a worker may suffer for having raised a concern
  - Paragraph 9.12 - sets out arrangements for record keeping and reporting of concerns raised
  - Paragraph 9.13 - requires the Annual Governance Statement to include the number and type of whistleblowing concerns raised
  - Paragraph 10.1 - removal of references to the Audit Commission (now abolished)
  - Paragraph 10.2 - includes a link to the full list of prescribed persons to whom a whistleblower may report a concern issued by the government
  - Paragraph 11.2 - makes reference to Public Interest Disclosure Act 1998 (PIDA) included, explaining legal protections due to workers raising concerns
  - Paragraph 11.2.2 - sets out the types of disclosure covered by PIDA
  - Paragraph 11.3 - precludes anti-gagging provisions in settlements with workers in terms of protected disclosures
  - Paragraph 12.1 - identifies person with overall responsibility for whistleblowing within the Council
  - Paragraph 12.2 - requires a periodic audit of the effectiveness of the Policy
5. Other minor amendments to the Whistleblowing Policy have been made but these make no significant difference to the meaning or substance.
6. The policy is attached as an Appendix to this report.

IMPLICATIONS	
Finance	There are no financial implications arising directly from this report
Legal	The Whistleblowing Policy assists in good governance and the probity of Council actions and decision-making.
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications


LEAD AUTHOR	TEL	DATE	DOC ID
Savile Sykes	01253 658413	22 September 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Whistleblowing Commission Code of Conduct		<a href="http://www.pcaw.org.uk/files/PCaW_COP_FINAL.pdf">http://www.pcaw.org.uk/files/PCaW_COP_FINAL.pdf</a>

Attached documents

1. Appendix: Whistleblowing Policy



<b>FYLDE COUNCIL</b>		
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## 1 Introduction

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns without fear of reprisals. This policy document makes it clear that you can do so without the fear of victimisation, subsequent discrimination or disadvantage.
- 1.3 This Whistleblowing Policy is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem and before raising the matter outside the Council.
- 1.4 These procedures are in addition to the Council's complaints procedures and other reporting procedures that may apply in some departments. Employees are responsible for making service users aware of the existence of these procedures.

## 2 Aims and Scope of the Policy


- 2.1 This Whistleblowing Policy aims to:
- ♦ encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice that are made in the public interest
  - ♦ provide avenues for you to raise concerns and receive feedback on any action taken
  - ♦ allow you to take the matter further if you are dissatisfied with the Council's response; and
  - ♦ reassure you that you will be protected from reprisals or victimisation.
- 2.2 All employees have a moral responsibility to report improper acts and omissions. In some circumstances failure to raise such concerns may amount to a breach of contract or breaking the law.

Under the provisions of The Bribery Act 2010 there is a requirement for employers to adopt measures to prevent bribery on its behalf. This Whistleblowing policy is an essential tool in helping to protect the Authority and you are therefore encouraged to report any genuine concerns.

- 2.3 There are existing procedures in place to enable you to lodge a grievance relating to your own employment or a collective grievance held by more than one employee about a particular issue

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concerning their employment. Some of the more common issues that might give rise to a grievance include:

- ♦ the application of terms and conditions of employment;
- ♦ Health and Safety;
- ♦ relationships at work;
- ♦ working practices not covered by the job description;
- ♦ fair and equitable treatment.

2.4 This Whistleblowing Policy is intended to cover concerns that fall outside the scope of other procedures. These may include:

- ♦ conduct that may be an offence or break the law;
- ♦ failure to comply with a legal obligation;
- ♦ miscarriage of justice;
- ♦ unauthorised use of public funds;
- ♦ offering, taking or soliciting bribes
- ♦ possible fraud or corruption;
- ♦ misreporting performance data;
- ♦ health and safety risks in the workplace;
- ♦ dumping damaging material in the environment;
- ♦ sexual harassment or physical abuse;
- ♦ gross waste or mismanagement of funds
- ♦ serious misuse of funds
- ♦ abuse of authority
- ♦ unethical conduct; and
- ♦ deliberate covering up of information relating to any of the above


2.5 That concern may be about any aspect of service delivery, or the conduct of employees or members of the Council, or others acting on the Council's behalf. It may be something that:

- ♦ is unlawful; or
- ♦ makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- ♦ is against the Council's Standing Orders, regulations or policies; or
- ♦ falls below established standards or practice; or
- ♦ amounts to improper conduct.

2.6 The people best placed to raise a concern before any serious damage is done often fear they have the most to lose if they do speak up. The Council is keen to avoid a culture of silence by supporting honesty and encouraging openness. This will ensure the Council is better able to:

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- ♦ deter wrongdoing;
- ♦ pick up potential problems early;
- ♦ enable critical information to get to the people who need to know and can address the issue;
- ♦ demonstrate to stakeholders, regulators and the courts that they are accountable and well managed;
- ♦ reduce the risk of anonymous and malicious leaks;
- ♦ minimise costs and compensation from accidents, investigations, litigation and regulatory inspections; and
- ♦ maintain and enhance its reputation.


### 3 Who is covered by the Policy?

- 3.1 All employees of the Council may use this policy. This includes both permanent and temporary staff, volunteers, job applicants, apprentices, students or trainees and elected members. It covers agency staff and staff seconded to a third party. Any concerns relating to the third party, if relevant to the employee's secondment can also be raised under this policy.
- 3.2 Contractors working for the Council on Council premises, for example, agency staff, consultants, builders and maintenance staff, may use the policy to make the Council aware of any concerns with regard to any contractual or other arrangements with the Council. It also covers suppliers and those providing services under a contract with the Council in their own premises

### 4 Harassment or Victimisation

- 4.1 The Council is committed to good practice and high standards and wants to be supportive of employees who make the decision to report a concern. Employees who raise concerns have nothing to fear since they are fulfilling their responsibility to their employer and to those for whom they are providing a service.
- 4.2 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate bullying, harassment or victimisation, including informal pressure, and will take appropriate action to protect you. This could include disciplinary action against the perpetrator, which may lead to dismissal.
- 4.3 You must report any retaliation, which could include but is not limited to:
- ♦ frequent and undesirable changes in work assigned;
  - ♦ unsubstantiated disciplinary action

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- ♦ unjust denial of promotion or transfer
- ♦ physical and verbal abuse
- ♦ deliberate exclusion and isolation
- ♦ denial of training
- ♦ closer monitoring
- ♦ demotion
- ♦ suspension
- ♦ victimisation
- ♦ dismissal
- ♦ failure to provide appropriate reference
- ♦ failure to investigate subsequent concern

4.4 This does not mean that if you are already the subject of a disciplinary investigation for alleged malpractice or redundancy procedures, that those procedures will be halted as a result of your whistleblowing.

## 5 Confidentiality

- 5.1 The best situation if you had a whistleblowing concern would be if you felt it was safe and acceptable to raise the concern openly, where those involved know what the issue is and who has raised it. This openness makes it easier for the Council to assess the issues, to work out how to investigate the matter, to get more information, to understand any hidden agendas, to avoid witch hunts and to minimise the risk of a sense of mistrust developing.
- 5.2 While openness is the ideal, in practice you may have reason to feel anxious about your identity being revealed, particularly at the outset. Consequently where you raise a concern outside of line management the assumption will be that the contact is made in confidence.
- 5.3 The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed. It must be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence, particularly if the Police or External Auditors become involved. In order to take effective action, the Council will need proper evidence which may be required to withstand examination in disciplinary proceedings, courts or tribunals.
- 5.4 If it does become necessary to reveal your identity, you will be advised before this action is taken. If there is an unauthorised disclosure of your identity without your prior knowledge, disciplinary action may be taken against the person breaching the confidentiality arrangements.

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- 5.5 Even though your name will not be revealed without prior notification, this cannot guarantee that others will not try to deduce the identity of the whistle-blower. In addition, if you have already voiced the concern to colleagues or your manager, others may assume you are the source of any disclosure made higher up in the organisation.

## 6 Anonymous Allegations

- 6.1 This policy encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful. They are difficult to investigate since it is impossible to liaise with the employee to seek clarification or more information, to assure them or to give them feedback.
- 6.2 Anonymous allegation will be considered at the discretion of the Chief Executive. In exercising this discretion, the factors taken into account would include:
- ♦ the seriousness of the issues raised
  - ♦ the credibility of the concern; and
  - ♦ the likelihood of confirming the allegation from attributable sources.

## 7 Untrue Allegations


- 7.1 If you make an allegation with a genuine concern, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make a frivolous, malicious or vexatious allegation that is for no other purpose than to cause trouble or annoyance or without good reason to discredit the Council, any member or officer, an investigation will take place to determine whether disciplinary action is taken.

## 8 How to Raise a Concern

- 8.1 As a first step, you should normally raise concerns with your immediate line manager or supervisor. In most cases the matter will be dealt with at that stage. You may wish to consider discussing your concern with a colleague in some circumstances, as it can be easier to raise concerns if there is more than one witness.
- 8.2 If you feel unable to raise the matter with your line manager, or if your line manager does not take appropriate action to resolve the issue, you should approach a more senior manager or your director. However, this depends on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice.
- 8.3 For example, if you believe that a senior manager is involved, you should approach the:

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- ♦ Chief Executive;
- ♦ Section 151 Officer;
- ♦ Monitoring Officer; or
- ♦ Head of Internal Audit.

- 8.4 Managers have a responsibility to ensure that concerns are taken seriously and must ensure that the action necessary to resolve a concern is taken promptly. Employees should be kept advised of progress. A whistle-blower has the status of a witness not a complainant.
- 8.5 Concerns are better raised in writing. You are invited to set out the background and history of the concern, giving names, dates and places where possible, and the reasons why you are particularly concerned about the situation. If you do not feel able to put your concern in writing, you can telephone or meet the appropriate officer.
- 8.6 The earlier you express the concern, the easier it is to take action.
- 8.7 Although you are not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.
- 8.8 Advice and guidance on how matters of concern may be pursued can be obtained from:

A local Trade Union official

Allan Oldfield - Chief Executive on extension 8500

E-mail: [allano@fylde.gov.uk](mailto:allano@fylde.gov.uk)

Paul O'Donoghue – Section 151 Officer on extension 8566

E-mail: [paul.o'donoghue@fylde.gov.uk](mailto:paul.o'donoghue@fylde.gov.uk)

Tracy Scholes – Monitoring Officer on extension 8521

E-mail: [tracys@fylde.gov.uk](mailto:tracys@fylde.gov.uk)

Savile Sykes – Head of Internal Audit on extension 8413

E-mail: [saviles@fylde.gov.uk](mailto:saviles@fylde.gov.uk)

Dean Francis – Senior Auditor on extension 8416


E-mail: [deanf@fylde.gov.uk](mailto:deanf@fylde.gov.uk)

Linda Dutton – Head of Human Resources on

mobile 07584 606831318031 E-mail: [linda.dutton@blackpool.gov.uk](mailto:linda.dutton@blackpool.gov.uk)

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- 8.9 You may invite a companion, who may be from your trade union or professional association, or a friend or a legal representative to raise a matter on your behalf. You may also have such a companion to represent you at any meeting that is held relating to your concern.
- 8.10 Employees who raise concerns or who are the subject of an investigation can access confidential counselling through the Occupational Health Service.
- 8.11 In addition the Council has subscribed to the Employee Assistance Programme which is an independent organisation that provides completely confidential help and assistance including counselling for employees and their immediate families for any personal or work related issues. It is available 24 hours a day, 7 days a week, and 365 days a year. They can be contacted on Telephone 0800 030 5182  
 Website [www.healthassuredeap.co.uk](http://www.healthassuredeap.co.uk) log in; Fylde Council, Username: Fylde  
 Password: Council - Email Counselling Advice - [CounsellingAdvice@healthassured.co.uk](mailto:CounsellingAdvice@healthassured.co.uk)  
 Access to Minicom is arranged via scheduling a consultation using the Counselling Advice mailbox.

## 9 How the Council Will Respond

- 9.1 The Council will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.
- 9.2 The action taken by the Council will depend on the nature of the concern. The Council could decide that the matters raised might:
- ♦ be investigated internally by management and/or internal audit through the disciplinary process
  - ♦ be investigated under another procedure
  - ♦ be referred to the Council's Monitoring Officer
  - ♦ be referred to the Police
  - ♦ be referred to the external Auditor
  - ♦ form the subject of an independent inquiry
- 9.3 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Council will have in mind, is the public interest. Concerns or allegations, which fall within the scope of specific procedures (for example racial discrimination issues, members conduct, IT security breach), will normally be referred for consideration under relevant procedures.
- 9.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

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- 9.5 Within fifteen working days of a concern being received, your immediate manager, the Chief Executive or relevant officer, depending upon whom you have approached and the circumstances of the case, will contact you:
- ♦ acknowledging that the concern has been received
  - ♦ indicating how it is proposed to deal with the matter if possible at such an early stage
  - ♦ giving an estimate of how long it will take to provide a final response if possible at such an early stage
  - ♦ telling you whether any initial enquiries have been made, and
  - ♦ telling you whether further investigations will take place, and if not, why not.
- 9.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.
- 9.7 If you would like an update or feedback at any time the Council encourages you to contact the person you approached. While the Council will provide as much feedback as it properly can, due to legal obligations of confidentiality, it may not be able to fully provide feedback on the outcome of any disciplinary action taken. Where this is the case the Council will make clear to the whistle-blower that they were right to raise the concern.
- 9.8 Any further evidence that the wrongdoing is continuing or that the whistle-blower feels anxious about some perceived or actual reprisal should be reported to your contact.
- 9.9 When any meeting is arranged, off-site if you so wish, you have the right to be accompanied by your chosen companion. This may be a trade union representative or work colleague but cannot be someone involved in the area of work to which the concern relates.
- 9.10 The Council will do what it lawfully can to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure. The Council cannot provide legal representation for you. Where appropriate, counselling may be provided through Human Resources.
- 9.11 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations. However, this will not include details of any disciplinary action, which will remain confidential to the individual concerned.

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- 9.12 The Head of Internal Audit maintains a record of concerns raised with him/her and the outcomes, but not in a form that may endanger your confidentiality, and will report immediately as necessary to the Council's Monitoring Officer.
- 9.13 The Council in its Annual Governance statement will report and specify the numbers and types of concerns raised; any relevant litigation and levels of employee awareness, trust and confidence in the arrangements.

## 10 How the Matter Can Be Taken Further

- 10.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- ♦ the independent charity Public Concern at Work 020 7404 6609
- ♦ Information Commissioner 01625 545745
- ♦ the Police 0845 1 25 35 45
- ♦ Health & Safety Executive 01772 836200
- ♦ Local Government Ombudsman 01904 633269
- ♦ UNISON whistleblowing hotline 0800 597 9750

For full details of the above and other organisations contact information, including email address, telephone numbers and addresses are available on the government website at the following hyperlinks:

- ✓ General link to government website about Whistleblowing

<https://www.gov.uk/whistleblowing/who-to-tell-what-to-expect>


- ✓ Link to prescribed person list on Government Website

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/510962/BIS-16-79-blowing-the-whistle-to-a-prescribed-person.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510962/BIS-16-79-blowing-the-whistle-to-a-prescribed-person.pdf)

- 10.2 Some of these organisations can give you free confidential advice about how to raise a concern about serious malpractice at work. For example, Public Concern at Work will give practical advice to those who have a concern but may be unsure whether to report the matter or remain silent.
- 10.3 It is stressed that this list is not exhaustive and you are free to contact any organisation that you feel will be able to deal properly with your concerns.
- 10.4 This may include:

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- ♦ your local Councillor
- ♦ your solicitor
- ♦ other relevant professional/regulatory bodies.

10.5 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with your contact point about that.

10.6 It will be safe to raise a concern with any of the above provided that:

- ♦ The disclosure relates to a genuine concern
- ♦ you reasonably believe that the information disclosed, and any allegation contained in it, are substantially true
- ♦ you do not make the disclosure for the purposes of personal gain.
- ♦ The disclosure is not being made with malicious intent

10.7 If you make allegations that you have no grounds to believe are true, or maliciously or for personal gain then you could face defamation proceedings or a prosecution for wasting police time. If you decide to address your concerns by going to the press or the media then you may face defamation proceedings if your allegations are unfounded.

## **11 The Law**

11.1 This policy has been written to take account following Acts:

### **11.2 Employment Rights Act 1996 Part IV – The Public Interest Disclosure Act 1998**

11.2.1 The Public Interest Disclosure Act 1998 (PIDA) protects workers making disclosures about certain matters of concern, where those disclosures are made in accordance with the Act's provisions. The Act is incorporated into the Employment Rights Act 1996, which already protects employees who take action over, or raise concerns about, health and safety at work.


11.2.2 PIDA sets out a framework for a worker to make disclosures about the following categories of wrongdoing, provided that they reasonably believe it to be in the public interest to do so:

- ♦ criminal offences
- ♦ failure to comply with legal obligations,
- ♦ miscarriages of justice,
- ♦ dangers to health or safety,
- ♦ dangers to the environment,
- ♦ deliberate concealment of any of the above categories.

11.2.3 This disclosure will be protected if the worker discloses:

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- ♦ in course of obtaining legal advice
- ♦ to the employer
- ♦ in certain circumstances to a Minister of the Crown
- ♦ to a 'prescribed person' reasonably believing that the information and any allegation contained within it are substantially true. The Secretary of State (in practice the Secretary of State for Business, Energy and Industrial Strategy) prescribes by list both the identity of the prescribed person (usually regulatory body) and its remit
- ♦ to any person or body provided that a number of detailed conditions are satisfied. Those conditions include a requirement that the worker does not make the disclosure for purposes of personal gain and a requirement that it is reasonable to make the disclosure in the circumstances
- ♦ A further section makes provision for a disclosure of an exceptionally serious failure to any person or body

11.2.3 The Act makes it unlawful for an employer to dismiss or subject a worker to a detriment for having made a 'protected disclosure' of information. The protection provided by the Act is not subject to any qualifying period of employment and so is referred to as a 'day one' right in employment law. By contrast under ordinary unfair dismissal, there is a two year qualifying period.

### 11.3 Settlement Agreements

11.3.1 In the light of section 43J ERA 1996 (anti-gagging provisions in PIDA) employers drafting settlement agreements should not include a clause which precludes a worker from making a protected disclosure.

### 11.4 Good Faith

11.4.1 Employees are protected if they have an honest and reasonable belief or concern, whether this turns out to be true or not. Disclosures must not be malicious or made in pursuit of a personal grudge.


### 11.5 Fraud

11.5.1 The Fraud Act 2006 defines fraud as:

- ♦ false representation
- ♦ failing to disclose information
- ♦ abuse of position

11.5.2 For practical purposes, fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.

<b>Department</b>	Human Resources, Communication and Engagement.			<b>Ref. Number</b>	FP50
<b>Authorised By</b>	Chief Executive – Allan Oldfield			<b>Issue Date</b>	July 2013
<b>Author</b>	Savile Sykes Andy Southwell	<b>Job title</b>	Head of Internal Audit HR Policy Development Officer	<b>Revision No</b>	1 - Sept 2013 2 - Nov 2015 3 - Aug 2016
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<b>FYLDE COUNCIL</b>		
<b>Topic</b>	<b>WHISTLEBLOWING POLICY</b>	

## 12 Reviewing the Effectiveness of the Policy

- 12.1 The Director of Resources (as Monitoring Officer) has overall responsibility for the maintenance and operation of this policy. The impact and effect of the policy will be judged regularly against the British Standards Institute (BSI) Whistleblowing Arrangements Code of Practice.
- 12.2 The Council will arrange for a periodic audits of the effectiveness of this Policy in accordance with the scope set out in recommendation 7 (d) of the whistleblowing Code of Practice and results will be reported to the Audit and Standards Committee.

<b>Department</b>	Human Resources, Communication and Engagement.			<b>Ref. Number</b>	FP50
<b>Authorised By</b>	Chief Executive – Allan Oldfield				<b>Issue Date</b> July 2013
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# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	22 SEPTEMBER 2016	7
<b>REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT</b>			

## PUBLIC ITEM

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

### SUMMARY

The report presents the findings of the annual self-assessment exercise undertaken by the Head of Internal Audit in relation to the conformance of internal audit with the Public Sector Internal Audit Standards (PSIAS). The self-assessment compared existing arrangements with those specified in the PSIAS.

### RECOMMENDATION

The Committee notes the findings of the review on the effectiveness of internal audit and confirms the conclusion that there is substantial compliance with the Public Sector Internal Audit Standards.

### SUMMARY OF PREVIOUS DECISIONS

The effectiveness of Internal Audit and its substantial compliance with the Public Sector Internal Audit Standards was confirmed previously by the Audit Committee at its meeting on 24 September 2015.

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

## REPORT

### Introduction

1. Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:
  - Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), Definition of Internal Auditing and Code of Ethics;
  - Operates in an efficient and effective manner;
  - Is adding value and continually improving internal audit operations
2. The Head of Internal Audit (HIA) is ultimately responsible for the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments.
3. Internal assessments are both ongoing and periodic, while external assessments must be undertaken at least once every five years.

### Internal Assessment

#### Ongoing Reviews

4. The arrangements for ongoing assessments are unchanged. The reviews are conducted through:
  - **Supervision of engagements** - all audit engagements are supervised by the HIA to ensure that objectives are achieved and quality is maintained
  - **Documented review of working papers** - the HIA/Senior Auditor review all working papers for each engagement and appropriate evidence of supervision is documented and retained
  - **Audit policies and procedures used for each engagement** - standard audit policies and procedures are applied to ensure compliance with applicable planning, fieldwork and reporting standards
  - **Feedback from customer surveys on individual engagements** - all auditees were asked for their views on the work of the Internal Audit Service as part of the regular satisfaction surveys that are issued at the conclusion of each audit. There was generally a consistent response that effectiveness was good, or better
  - **Analysis of key performance indicators** - a suite of performance indicators for Internal Audit has been established to measure Internal Audit's effectiveness and efficiency
  - **All draft and final reports and recommendations are reviewed** - all reports and action plans are reviewed and approved by the HIA

#### Periodic Reviews

5. Periodic assessments are designed to assess conformance with Internal Audit's Charter, the PSIAS, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. As previously reported to the committee, periodic assessments will be conducted through:

- **Annual self-assessment of conformance with the PSIAS** - The Head of Internal Audit has assessed the effectiveness of Internal Audit using the recommended checklist contained within CIPFA's Local Government Application Note (attached at Appendix A). The wording of the evidential commentary has been amended to reflect current practice, where necessary. One area of non-conformance and three of partial conformance have been identified but no actions are available to address these. Consequently the internal audit service remains substantially compliant with the PSIAS. These areas are set out in a self-assessment document for reference (attached at Appendix B). There is no improvement action plan for 2016/17 arising from this exercise.
- **Review of internal audit key performance indicators by the HIA on a quarterly basis** - the quarterly review of key performance indicators has been maintained and the outturn for 2015/16 was reported to the June meeting of the Audit & Standards Committee. There were no significant matters to take into account.
- **Half-yearly activity and performance reporting to the Audit Committee and senior management** – the HIA presents an interim and annual report on internal audit activity and performance to the Audit & Standards Committee. The last annual report was reported to

## External Assessment

6. External assessments will appraise and express an opinion about Internal Audit's conformance with the PSIAS, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.
7. An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation.
8. In January 2015 the former Audit Committee approved the approach whereby periodic external assessments of Internal Audit will take the form of a self-assessment subsequently validated by suitably qualified individuals or teams from members of the Lancashire District Councils Audit Group on a reciprocal basis across a 5 year cycle.
9. Fylde's external peer review by two Lancashire Heads of Audit is scheduled to take place in November 2016. Similarly the Head of Internal Audit will be involved in the peer review and external inspection of two other Lancashire internal audit teams during 2017.

## Reporting

10. Results of internal assessments will be reported to the Audit and Standards Committee on an annual basis. Similarly, external assessment results will be reported to the Committee and senior management at the earliest opportunity following receipt of the external assessor's report.
11. Both internal and external assessment reports will be accompanied by a written action plan, where appropriate, in response to any significant findings contained in the report.
12. The Head of Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and the action plans developed are implemented within a reasonable timeframe. Outcomes will be reported to the Audit and Standards Committee.

IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2015 require the Council to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.</p> <p>The report also contributes towards the production of the Annual Governance Statement published each year, which explains the processes and procedures in place to enable the Council to carry out its functions effectively.</p>
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications

LEAD AUTHOR	TEL	DATE	DOC ID
Savile Sykes	01253 658413	22 September 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Click hyperlink for inspection
Public Sector Internal Audit Standards Local Government Application Note (CIPFA)	2016	<a href="#">Public Sector Internal Audit Standards   CIPFA</a>

#### Attached documents

1. Appendix A: Checklist for assessing conformance with the PSIAS
2. Appendix B: Self-assessment non-conformance and partial conformance items



**CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND THE LOCAL GOVERNMENT  
APPLICATION NOTE**

Ref	Conformance with the Standard	Y	P	N	Evidence
1	Definition of Internal Auditing				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity: a) Independent? b) Objective?	✓			<p>The Audit Manager reports to senior management and the Audit &amp; Standards Committee. An Audit Charter is in place that sets out Internal Audit's independence. Internal Audit has no executive responsibilities, thus protecting its independence of reporting and action.</p> <p>Objectivity is one of the four fundamental principles listed in the Internal Audit Charter and Code of Ethics. To achieve this all reports are reviewed by the HIA prior to issue to ensure that the auditor has remained objective and provided a balanced view.</p>
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			<p>There is a risk-based annual audit plan in place. The IA Procedure Manual provides guidance to auditors. Standard methodology in place for determining the ranking of risk issues and audit reports. A standardised reporting format used. The audit work undertaken supports an annual audit opinion on the effectiveness of risk management, control and governance processes.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
2	Code of Ethics				
	<p>Integrity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors:</p> <p>a) Perform their work with honesty, diligence and responsibility?</p> <p>b) Observe the law and make disclosures expected by the law and the profession?</p> <p>c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation?</p> <p>d) Respect and contribute to the legitimate and ethical objectives of the organisation?</p>	✓			Internal auditors are bound by their ethical and professional standards. All work undertaken within the section undertaken in conformance with the Audit Charter and the Code of Ethics and subject to review by the HIA. Staff are assessed through the performance appraisal process and feedback on work undertaken is sought from management. Responsibilities and duties are set out in detailed job descriptions.
	<p>Objectivity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <p>a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</p> <p>b) Accepting anything that may impair or be presumed to impair their professional judgement?</p> <p>c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</p>	✓			Internal auditors must comply with Audit Charter / Code of Ethics. Auditors complete an annual declarations of interests.
	<p>Confidentiality</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</p>	✓			Internal auditors understand the requirement for confidentiality when using information in the course of their duties and the need to protect that information. This requirement is set out in both the IA Procedure Manual and Code of Ethics, and all auditors are aware of this.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>Competency</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	✓			The Code of Ethics requires that internal auditors should apply the knowledge, skills and experience needed in the performance of internal auditing services, seeking additional advice and support where necessary to ensure work is carried out competently. Training needs are assessed annually through the performance appraisal process.
	Do internal auditors have regard to the Standards of Public Life's Seven Principles of Public Life?	✓			The Standards of Public Life are incorporated into the Code of Ethics and a copy is permanently displayed in the audit office. All audit staff are aware of and have regard for them.
	Standards				
3	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility				
	<p>Does the internal audit charter include a formal definition of:</p> <p>a) the purpose</p> <p>b) the authority, and</p> <p>c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>	✓			The Internal Audit Charter has been updated to include an up to date definition in accordance with the PSIAS and includes the purpose, authority and responsibilities of internal audit together with its independence, role and rights of access.
	<p>Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>	✓			The Internal Audit Charter defines the 'board' as the Audit & Standards Committee and 'Senior Management' as the Management Team

Ref	Conformance with the Standard	Y	P	N	Evidence
AN	Does the internal audit charter also:	✓			The Internal Audit Charter has been updated reflect all the requirements of the Standards
	a) Set out the internal audit activity's position within the organisation?				
	b) Establish the CAE's functional reporting relationship with the board?				
	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?				
LGAN	d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?				
	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? f) Define the scope of internal audit activities?				
LGAN	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?				
LGAN	h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?				
LGAN	i) Establish the organisational independence of internal audit?				
	j) Cover the arrangements for appropriate resourcing?				
	k) Define the role of internal audit in any fraud-related work?				
LGAN	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?				
	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?				
	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation? o) Define the nature of consulting services?				
	p) Recognise the mandatory nature of the PSIAS?				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	✓			Last updated in November 2015. Any further updates required, other than amendments that reflect organisational changes, will be presented to Management Team and the Audit & Standards Committee for approval.
	Does the CAE attend audit committee meetings?	✓			Attendance at all meetings except any exclusively devoted to annual accounts (usually one such meeting per year).
	Does the CAE contribute to audit committee agendas?	✓			Contributes to the Forward Work Programme and the Audit & Standards Committee agenda.
3.2	1100 Independence and Objectivity				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			HIA has unrestricted access to all members of Management Team and regularly reports to the Section 151 Officer. Head of Internal Audit has freedom to report independently and impartially in his own name to all officers and members and particularly the Audit & Standards Committee.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	✓			Access rights and reporting lines are specified in the Internal Audit Charter. HIA can contact Chief Executive and Chair of the Audit & Standards Committee at any time. There is also the opportunity for the HIA to meet privately with the Chair of the Audit & Standards Committee.
	Are threats to objectivity identified and managed at the following levels: a) Individual auditor? b) Engagement? c) Functional? d) Organisation?	✓			Audit staff complete declaration of interests annually. Moreover, Internal Audit has no non-audit responsibilities, thus protecting its independence and objectivity. The HIA acts as liaison for the Council's corporate fraud service, but the service is externally managed.

Ref	Conformance with the Standard	Y	P	N	Evidence
	1110 Organisational Independence				
	Does the CAE report to an organisational level equal or higher to the corporate management team?	✓			The Head of Internal Audit reports to the Head of Governance, who is a member of the corporate Management Team. In addition, the HIA has unrestricted reporting access to all Directors and Management Team itself. Internal audit activity is organisationally independent in both its planning and operation.
LGAN	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			See above.
LGAN	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	✓			Access rights and reporting lines are specified in the Internal Audit Charter and the HIA can contact the Chief Executive and/or Section 151 Officer at any time.
LGAN	Does the CAE's position in the management structure: a) Reflect the influence he or she has on the control environment? b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	✓			Audit plans are agreed with Management Team and Audit & Standards Committee. Audit reports, including action plans, are issued to the relevant Director/Service Head.
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity: The board: a) approves the internal audit charter b) approves the risk-based audit plan c) approves the internal audit budget and resource plan d) receives communications from the CAE on the activity's performance (in relation to the plan, for example) e) approves decisions relating to the appointment and removal of the CAE f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	✓  ✓ ✓  ✓  ✓	   x   ✓		HIA confirms to the Audit & Standards Committee annually that internal audit activity is independent in the HIA's annual report. a) Audit & Standards Committee b) Management Team and Audit & Standards Committee c) Full Council d) Audit & Standards Committee e) Audit & Standards Committee f) Audit & Standards Committee  The approval of the budget is the responsibility of the Council however, resource plans are approved by the Audit and Standards Committee as part of the internal audit annual planning process. No action possible.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	✓			The Chief Executive contributes feedback to the HIA's annual staff appraisal.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	✓			Feedback from the Chair of the Audit & Standards Committee is sought and provided as part of the HIA's staff appraisal process.
	1111 Direct Interaction with the Board				
	Does the CAE communicate and interact directly with the board?	✓			HIA reports directly to the Audit & Standards Committee
	1120 Individual Objectivity				
	Do internal auditors have an impartial, unbiased attitude?	✓			Auditors are expected to deploy impartial and effective professional judgement. Feedback questionnaires sent after each audit are used to monitor the auditors' approach.
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓			Auditors report any potential conflict to HIA, and the HIA to the Chief Financial Officer.
	1130 Impairment to Independence or Objectivity				
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	✓			None has arisen.
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	✓			Internal audit has no non-audit operational responsibilities with the limited exception of the fraud Collaboration Agreement, which is externally managed.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	✓			HIA does not have any direct operational responsibility.
LGAN	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?			x	The team is not large enough to allow this. However, all audit work is subject to independent review by HIA. No further action possible.
LGAN	Have internal auditors declared interests in accordance with organisational requirements?	✓			Auditors sign declarations of interest forms annually.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	✓			None offered or accepted. Online declaration process available.
LGAN	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?			✓	There have been no such instances. NB; 'No' is the answer that achieves conformance with the standard.
LGAN	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓			Auditors sign declaration of interest forms annually.
LGAN	Have internal auditors complied with the Bribery Act 2010?	✓			The Council has an Anti-Bribery Policy that reflects the requirements of the Bribery Act 2010. Internal auditors have received a copy of the policy and are fully aware of its terms and requirements.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓			No impairment of independence has arisen in any event.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓			Any significant changes to the approved audit plan must be reported to the Audit & Standards Committee for endorsement.
3.3	1200 Proficiency and Due Professional Care				
	1210 Proficiency				
	Does the CAE hold a professional qualification, such as CMAA/CCAB or equivalent?	✓			CIPFA
	Is the CAE suitably experienced?	✓			HIA since 1981.
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓			HIA fully responsible for recruitment.
LGAN	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	✓			Job descriptions and person specifications in place.



Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓			Auditor competencies assessed by annual staff appraisals. Computer audit skills are bought-in from LCC. In addition, the HIA is a member of the Lancashire Districts Audit Group for knowledge sharing. TIS online available for advisory backup.
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	✓			Internal Audit buys in additional resources where there is a perceived skills gap.
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓			Internal Audit is aware of fraud risks and the role of internal audit, particularly in the prevention of fraud. IA also has the benefit of advice from Preston City Council Fraud Manager as part of the Collaboration Agreement.
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓			Computer audit skills are bought-in from LCC and used to formulate an IT audit workplan on the basis of risk
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓			Internal audit co-operates with Blackpool Council in the use of data analysis to focus assurance testing work in relation to shared financial systems.
	1220 Due Professional Care				
	Do internal auditors exercise due professional care by considering the: a) Extent of work needed to achieve the engagement's objectives? b) Relative complexity, materiality or significance of matters to which assurance procedures are applied? c) Adequacy and effectiveness of governance, risk management and control processes? d) Probability of significant errors, fraud, or non-compliance? e) Cost of assurance in relation to potential benefits?	✓			Overall consideration takes place as part of the annual planning cycle. Analysis of these factors is undertaken planning stage of every assignment. Risks (including fraud risk) are considered when scoping and undertaking the audit. Audit work is reviewed and time spent on engagements recorded and monitored. If additional work is required the SA will agree this with the HIA subject to an assessment of cost/benefits.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do internal auditors exercise due professional care during a consulting engagement by considering the: a) Needs and expectations of clients, including the nature, timing and communication of engagement results? b) Relative complexity and extent of work needed to achieve the engagement's objectives? c) Cost of the consulting engagement in relation to potential benefits?	✓			All these matters are discussed with the client at the scoping meeting when the terms of reference are agreed.
	1230 Continuing Professional Development				
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	✓			Defined in the person specification for each position.
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓			Annual staff appraisal process.
	Do internal auditors undertake a programme of continuing professional development?	✓			Each auditor is responsible for their own CPD where appropriate to meet the requirements of their professional body.
	Do internal auditors maintain a record of their professional development and training activities?	✓			Maintained by each individual.
3.4	1300 Quality Assurance and Improvement Programme				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	✓			A QAIP has been developed to demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics and the PSIAS.
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	✓			The QAIP identifies opportunities for improvement based on the assessment of the efficiency and effectiveness of internal audit activity.
	Does the CAE maintain the QAIP?	✓			The HIA maintains the QAIP
LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	✓			A review of the system of internal control is conducted by the HIA annually and presented to the Audit & Standards Committee in accordance with the PSIAS checklist. (Note the Accounts and Audit (England) Regulations 2011 section 6(3) have been revoked)

Ref	Conformance with the Standard	Y	P	N	Evidence
	1310 Requirements of the Quality Assurance and Improvement Programme				
	Does the QAIP include both internal and external assessments?	✓			An external review of the effectiveness of the internal audit function forms part of the QAIP and will be carried out within the time frames established by the PISIAS (at least once every five years). This will take the form of a self-assessment subsequently validated by suitably qualified individuals or teams from members of the Lancashire District Councils Audit Group on a reciprocal basis across a 5 year cycle.
	1311 Internal Assessments				
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓			This process is part of the planning process for individual assignments within the limitations of a small audit team. However, LCC will be used if technical IT skills are required or Preston City for fraud investigation activities.
	Do internal assessments include ongoing monitoring of the internal audit activity such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	✓			a) All audit work is subject to quality review. b) Annual assessments carried out by HIA.
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	✓			There are comprehensive performance targets for the audit team, which are reported to the Audit & Standards Committee. Where appropriate individual targets may be agreed for internal auditors, both at fortnightly planning meetings or during annual staff appraisals.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	✓			Performance measures and targets were developed following an exercise to canvass the views of stakeholders. Subsequently the former Audit Committee adopted the seven indicators with the highest usefulness ratings from stakeholders and established performance targets.
LGAN	Does the CAE measure, monitor and report on progress against these targets?	✓			Progress against departmental targets reported to Audit & Standards Committee twice yearly.
LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	✓			Feedback questionnaires are issued on completion of every audit assignment.
	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	✓			Self Assessments have been carried out by the HIA, both against the previous CIPFA standards and the current PSIAS. In previous years peer review external assessments have been undertaken by other Heads of Internal Audit and the external auditor.  Arrangements for the conduct of the periodic external review to ensure compliance with the PSIAS and the Local Government Application Note will take the form of a self-assessment subsequently validated by suitably qualified individuals or teams from members of the Lancashire District Councils Audit Group on a reciprocal basis across a 5 year cycle.
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓			Previous external assessment included a review of the annual HIA report, which documents the achievement of the audit plan and its wider aims and objectives. It is anticipated that this will continue.
	1312 External Assessments				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	✓			An external assessment of the internal audit function will be carried out within the time frames established by the PSIAS (at least once every five years). See above.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	✓			See above for description of external assessment arrangements.
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	✓			The former Audit Committee approved the external assessment would take the form of a peer review with neighbouring authorities. See above for description of external assessment arrangements.
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CEO or the chief executive?	✓			See above for description of external assessment arrangements.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	✓			Scope of the external assessment will be in accordance with the requirements of the PSIAS. A detailed pilot exercise will feedback to LDCAG to finalise arrangements.
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.	✓			External assessment will be undertaken by suitably qualified individuals or teams from members of the Lancashire District Councils Audit Group with experience gained in organisations of: a) similar size b) complexity c) sector (i.e. the public sector) d) industry (i.e. local government), and with suitable e) technical experience.
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	✓			See above for description of external assessment arrangements.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.	✓			See above for description of external assessment arrangements.
	1320 Reporting on the Quality Assurance and Improvement Programme				
	Has the CAE reported the results of the QAIP to senior management and the board? Note that: a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of ongoing monitoring must be communicated at least annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	✓			The results of the QAIP has been reported to senior management and is presented to former Audit Committee. This will occur on an annual basis. Conformance with the PSIAS is the principal focus of the report.
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓			Progress against the improvement plan arising from the QAIP was included in the annual report.
	1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓			Subsequent to the 2014 self-assessment, broad conformance to the PSIAS was reported in the HIA annual report. Following the current exercise it will be confirmed that the service complies in all material aspects with the PSIAS.
	1322 Disclosure of Non-conformance				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓			This report shows the current position. Further self assessments will be carried out annually and duly reported to Audit & Standards Committee.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓			Nothing has been revealed that impacted sufficiently to merit inclusion in the governance statement but any significant deviations would be reflected in the governance statement.

Ref	Conformance with the Standard	Y	P	N	Evidence
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	✓			Evidenced by audit reports and action plans, as reported in the annual report and annual assurance opinion.
	Does the internal audit activity conform with the Definition of Internal Auditing and the Standards	✓			The Internal Audit Charter and the IA Procedure Manual both demonstrate this.
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the Code of Ethics and the Standards?	✓			Internal auditors are familiar with the Audit Charter and the Code of Ethics and demonstrate conformance.
	Does the internal audit activity add value to the organisation and its stakeholders by a) Providing objective and relevant assurance? b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	✓			Audit plan is based on the organisation's objectives. Every audit review gives consideration to these areas and audit reports contain recommendations designed to enhance governance, risk management and internal control. Client feedback scores are high.
	2010 Planning				
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓			The priorities of internal audit are established in the Audit Charter and Strategy, which are reflected in the risk-based plan and refer to the Council's objectives.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	✓			The risk-based plan is designed to provide evidence needed for annual opinion.
	Does the risk-based plan take into account the organisation's assurance framework?	✓			Sources of assurance are considered during planning. The audit plan takes account of the Annual Governance Statement, strategic risk management group, external audit reports, internal audit reports and any other relevant external/peer reviews. We are also developing a more formalised and extensive assurance framework in conjunction with management.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the risk-based plan incorporate or is it linked to a strategic or high level statement of: a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	✓			a) Documented in the Internal Audit Charter b) Documented in the Internal Audit Strategy c) Development of the IA Service will be identified as part of the annual assessment process d) Plan is linked to the Council's corporate objectives
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓			Although this is not documented within the Audit Plan, awareness of national issues is referred to in the Internal Audit Strategy and both local and national issues and risks are considered during the process of developing the plan.
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	✓			Risk management framework assessed by internal audit and thereby relative risk maturity.
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	✓			A risk management framework exists.
LGAN	Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	✓			The detailed plan sets out the audit work to be carried out and the priorities of those pieces of audit work, together with an estimate of resources needed
LGAN	Does the risk-based plan differentiate between audit and other types of work?	✓			All work categorised within the plan.
LGAN	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	✓			The plan includes a contingency allowance, and is subject to review throughout the year.
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓			The plan is subject to review throughout the year, with significant amendments reported to the Audit & Standards Committee.



Ref	Conformance with the Standard	Y	P	N	Evidence
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓			The planning process is based on a documented annual risk assessment.
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	✓			See above.
LGAN	In developing the risk-based plan, has the CAE also considered the following: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, e.g. IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓			a) Considered in assignment planning. There are currently no known conflicts b) Considered in assignment planning. c) Contingency included in the plan.  d) Included in the plan.
	Is the input of senior management and the board considered in the risk assessment process?	✓			Consultation takes place with senior management whilst producing the audit plan. Chair and Vice Chair of Audit & Standards Committee consulted on risk.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	✓			During audit planning and in the production of the annual IA report
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓			All proposed consulting work is considered before it is accepted.
	Are consulting engagements that have been accepted included in the risk-based plan?	✓			Included in the plan and reported to the Audit & Standards Committee.
	2020 Communication and Approval				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	✓			Reported to Management Team and Audit & Standards Committee.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓			Reported to Management Team and Audit & Standards Committee as necessary.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓			Reported to Management Team and Audit & Standards Committee as necessary.
	2030 Resource Management				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓			Assessment of IA resource requirements is documented in the Internal Audit Charter approved by Audit & Standards Committee.
LGAN	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	✓			All managers are consulted prior to commencement of annual plan. Also discussed in planning meetings and updated throughout the year
LGAN	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	✓			Reported to Management Team and Audit & Standards Committee as necessary.
	2040 Policies and Procedures				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓			Internal Audit Charter and IA Procedure Manual in place.
LGAN	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an IA Procedure Manual and/or using electronic management systems.	✓			Internal Audit Charter and IA Procedure Manual conform to the PSIAS.
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	✓			Regular reviews to ensure compliance with new requirements.

Ref	Conformance with the Standard	Y	P	N	Evidence
	2050 Coordination				
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓			Reliance placed on external auditors and regulators. Other sources of assurance considered are risk management arrangements / external audit reports / annual assurance statement / financial reports / internal audit reviews / annual service head assurance certificates.
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?		✓		The Internal audit plan has been developed with a knowledge of other sources of assurance, however, no formal mapping exercise is undertaken. The use of assurance mapping to identify all sources of assurance and the extent to which they can be relied upon is currently being piloted.
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	✓			All IA reports and annual plan shared with external auditors.
LGAN	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?		✓		There is liaison and co-operation with external auditors but face to face meetings are rare. Annual plans are shared. No further action possible
	2060 Reporting to Senior Management and the Board				
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓			Regular reports to Audit & Standards Committee and liaison meetings with Section 151 Officer.
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	✓			The Audit & Standards Committee is informed of all high priority concerns, and of the overall level of assurance assessed for each area reviewed. Audit reports with full details are provided to the responsible Head of Service.

Ref	Conformance with the Standard	Y	P	N	Evidence
	2070 External Service Provider and Organisational Responsibility for Internal Auditing				
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	N/A	N/A	N/A	An external IA service provider is not used.
4.2	2100 Nature of Work				
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	✓			Overall aim of the internal audit service.
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	✓			Through the completion of the audit plan.
	2110 Governance				
	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? b) Ensure effective organisational performance management and accountability? c) Communicate risk and control information to appropriate areas of the organisation? d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	✓			Through the completion of the audit plan and communication of audit findings to management.
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	✓			Through individual assignments and by the input of the HIA to the Corporate Governance Group. IA also specifically reviews corporate governance framework annually.
	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	✓			HIA is a member of Corporate Governance Group which considers these matters. IA reviews Ethical Governance periodically - such a review was carried out as part of the 2014/15 audit plan.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓			Information technology governance included in the audit universe. Various relevant reviews undertaken in conjunction with LCC IT-audit team.
LGAN	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	✓			All competing priorities are considered when finalising the plan.
	2120 Risk Management				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite? d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	✓			Risk management included in the audit plan every other year.
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	✓			As part of audit planning and the completion of individual audit assignments.
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓			Corporate fraud team regularly evaluate potential fraud areas in order to target resources. This information forms part of audit planning. In addition, fraud risks are considered when scoping and undertaking individual audit reviews. IA periodically test compliance with counter fraud policies.
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓			Dependent on the nature of the assignment.
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	✓			Any other risks noted are reported to management.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓			Auditors do not take on management responsibility or risk management roles.
	2130 Control				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	✓			As part of audit planning and the completion of individual audit assignments.
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓			All relevant knowledge is used.
4.3	2200 Engagement Planning				
	Do internal auditors develop and document a plan for each engagement?	✓			A scoping / terms of reference document is developed and agreed for each audit review.
	Does the engagement plan include the engagement's: a) Objectives? b) Scope? c) Timing? d) Resource allocations?	✓			Standard format that includes all these.
	Do internal auditors consider the following in planning an engagement, and is this documented: a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity's resources? e) The activity's operations? f) The means by which the potential impact of risk is kept to an acceptable level? g) The adequacy and effectiveness of the activity's governance, risk	✓			These aspects are considered in planning an audit, the extent of consideration of each depends on the area under review and the reason for the review. Details will therefore not always be fully documented for every aspect for every audit, however relevant aspects are considered as part of the preparation for each assignment.

Ref	Conformance with the Standard	Y	P	N	Evidence
	management and control processes compared to a relevant framework or model? h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?				
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: a) Objectives? b) Scope? c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	N/A	N/A	N/A	No work undertaken outside of the organisation.
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?	✓			Agreed with management at the start of the work.
	For significant consulting engagements, has this understanding been documented?	✓			See above.
	2210 Engagement Objectives				
	Have objectives been agreed for each engagement?	✓			Objectives are agreed.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	✓			Completed whilst formulating the terms of reference. Auditors will review previous audits, risk registers and other intelligence.
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	✓			Where applicable.
	Have internal auditors considered the probability of the following, when developing the engagement objectives: a) Significant errors? b) Fraud? c) Non-compliance? d) Any other risks?	✓			When developing the terms of reference.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	✓			Management plans and processes track progress against corporate objectives. KPI's included within the audits where applicable.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	✓			Risk register, documented internal controls and KPIs reviewed where applicable to the area under review and the nature of the assignment.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	✓			Lack of KPIs and controls reported where applicable.
LGAN	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	✓			Where referred to. Few value for money assignments completed.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓			Objectives agreed with the client.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	✓			Objectives agreed with the client.
	2220 Engagement Scope				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	✓			The scope of the audit work is agreed at the start of the audit. If during the audit the scope has to be extended to ensure the objectives of the audit are met, this is agreed with the HIA.
	Does the engagement scope include consideration of the following relevant areas of the organisation: a) Systems? b) Records? c) Personnel? d) Premises?	✓			All assignments include consideration of systems. Other aspects considered when appropriate.
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: a) Systems? b) Records? c) Personnel? d) Premises?	✓			This scenario would apply for activities undertaken for the Council by third parties, such as Blackpool Council where audits would consider these areas.



Ref	Conformance with the Standard	Y	P	N	Evidence
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	✓			This has not occurred. However, should this occur, this process would be followed
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?	✓			This has not occurred. However, should this occur, this process would be followed
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	✓			Scope agreed at the start of the audit.
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	✓			This has not occurred. However, should this occur, this process would be followed
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	✓			As normal procedure.
	During consulting engagements, were internal auditors alert to any significant control issues?	✓			As normal procedure.
	2230 Engagement Resource Allocation				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: a) The nature and complexity of each individual engagement? b) Any time constraints? c) The resources available?	✓			Planned at start of the year, then amended with detailed planning where applicable.
	2240 Engagement Work Programme				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓			Work programmes developed for each engagement.
	Do the engagement work programmes include the following procedures for: a) Identifying information? b) Analysing information? c) Evaluating information? d) Documenting information?	✓			Work programme sets out the objective of each test, the information required, documentation required and the evaluation/analysis required.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Were work programmes approved prior to implementation for each engagement?	✓			Agreed by HIA and Senior Auditor.
	Were any adjustments required to work programmes approved promptly?	✓			Agreed by HIA and/or Senior Auditor.
4.4	2300 Performing the Engagement				
	Have internal auditors carried out the following in order to achieve each engagement's objectives: a) Identify sufficient information? b) Analyse sufficient information? c) Evaluate sufficient information? d) Document sufficient information?	✓			Working papers reviewed by HIA and/or Senior Auditor. Checks are made to ensure that the objectives of the audit have been achieved and that there is sufficient evidence to support any findings. Additional work may be required or certain matters require further clarification.
	2310 Identifying Information				
	Have internal auditors identified the following in order to achieve each engagement's objectives: a) Sufficient information? b) Reliable information? c) Relevant information? d) Useful information?	✓			Quality assurance reviews of working paper files by HIA and /or Senior Auditor. See above.
	2320 Analysis and Evaluation				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	✓			Quality assurance reviews of working paper files by HIA and /or Senior Auditor. See above.
LGAN	Have internal auditors remained alert to the possibility of the following: a) intentional wrongdoing b) errors and omissions c) poor value for money d) failure to comply with management policy, and e) conflicts of interest when performing their individual audits, and has this been documented?	✓			All internal auditors are aware of the need to look for concerns in areas a) to e) in any audit undertaken.

Ref	Conformance with the Standard	Y	P	N	Evidence
	2330 Documenting Information				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓			Standardised reports are used to document conclusions and findings along with a management action plan.
LGAN	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	✓			Quality assurance reviews of working paper files by HIA and /or Senior Auditor.
	Does the CAE control access to engagement records?	✓			Access rights are documented in the IA Procedure Manual.
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	✓			To date this has not occurred. However, should it do so, this process would be followed.
	Has the CAE developed and implemented retention requirements for all types of engagement records?	✓			IA document retention arrangements developed within IA Procedure Manual.
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	✓			Any retention periods agreed are consistent with the Council's Retention Policy and documented in the IA Procedure Manual.
	2340 Engagement Supervision				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓			Supervised by HIA and/or Senior Auditor
	Is appropriate evidence of supervision documented and retained for each engagement?	✓			Recorded in the files for each assignment.
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	✓			Initially at pre-closure meetings if held, then also at closure meeting, draft and final reports.
	2410 Criteria for Communicating				
	Do the communications of engagement results include the following: a) The engagement's objectives? b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	✓			Included in reports.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓			Standard practice.
LGAN	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓			High, medium, low - defined in reports.
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	✓			Included in final report and action plan.
LGAN	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	✓			Any recommendations not agreed are detailed in the final report.
LGAN	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	✓			All material known facts disclosed.
LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	✓			Included in the final report.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	✓			Prior communication via the closure meeting and draft report. Views considered, but the opinion remains that of the auditors
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	✓			Reports supported by evidence in the file.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓			Included in report.
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	✓			To date audit engagement results have not been released to external parties other than the Council's external auditor; KPMG. However, should this occur, this process would be followed
LGAN	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?	✓			This has not occurred. However, should this occur, this process would be followed

Ref	Conformance with the Standard	Y	P	N	Evidence
	2420 Quality of Communications				
	Are communications: a) Accurate? b) Objective? c) Clear? d) Concise? e) Constructive? f) Complete? g) Timely?	✓			Audit practice aims for all of these, through specified report format, IA Procedure Manual requirements, training and experience, review of files and reports. Closure meetings are also used to agree factual accuracy of the report and findings.
	2421 Errors and Omissions				
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓			This has not occurred. However, should this occur, this process would be followed.
	2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'				
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	✓			In 2014/15 audit reports stated that "the work of the internal audit team was conducted substantially in conformance with the PSIAS". In 2015/16 this will be amended to state "the work of the internal audit team complies in all material respects with the PSIAS".
	2431 Engagement Disclosure of Non conformance				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	✓			No engagements have been identified as not conforming to PSIAS in 2014/15. However, should this occur, this process would be followed.

Ref	Conformance with the Standard	Y	P	N	Evidence
	2440 Disseminating Results				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓			Reports issued to Directors / Heads of Service / Section 151 Officer / relevant managers / external auditors. Confidentiality and exclusions are considered as per the process.
	Has the CAE communicated engagement results to all appropriate parties?	✓			Through closure meetings, draft and final reports.
	Before releasing engagement results to parties outside the organisation, did the CAE: a) Assess the potential risk to the organisation? b) Consult with senior management and/or legal counsel as appropriate? c) Control dissemination by restricting the use of the results?	✓			Confidentiality and exclusions are considered as part of the documented process. To date audit files have not been released to external parties other than the Council's external auditor; KPMG.
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓			Included in reports and issued to Directors / Corporate Heads.
	2450 Overall Opinion				
	Has the CAE delivered an annual internal audit opinion?	✓			In the IA Annual Report.
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	✓			IA Annual Report includes the opinion concerning the framework of governance, risk management and control.
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	✓			Expectations taken into account, but it remains the audit opinion.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	✓			Built up from all reports in the year, together with external opinions and other sources of assurance as defined.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	✓			All these are included in the Annual Report.
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	✓			Reporting Arrangements encompass this requirement, although this has never occurred
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	✓			Used and quoted in the Annual Governance Statement.
LGAN LGAN LGAN LGAN LGAN LGAN LGAN LGAN LGAN LGAN LGAN	Does the annual report incorporate the following: a) The annual internal audit opinion? b) A summary of the work that supports the opinion? c) A disclosure of any qualifications to the opinion? d) The reasons for any qualifications to the opinion? e) A disclosure of any impairments or restriction in scope? f) A comparison or work actually carried out with the work planned? g) A statement on conformance with the PSIAS? h) The results of the QAIP? i) Progress against any improvement plans resulting from the QAIP? j) A summary of the performance of the internal audit activity against its performance measures and targets? k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓			The Annual Internal Audit Report incorporates all of these points.

Ref	Conformance with the Standard	Y	P	N	Evidence
4.6	2500 Monitoring Progress				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	✓			Follow-up review of audit recommendations carried out and reported to Audit & Standards Committee.
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?	✓			A follow up report is issued after the follow up review with a revised opinion if necessary.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	✓			Included in planning for the subsequent year.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓			These are tracked in the same way as audit recommendations for any substantial consultancy engagements.
4.7	2600 Communicating the Acceptance of Risks				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓			This has not occurred but reporting lines facilitate such a procedure if necessary.
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	✓			This has not occurred but reporting lines facilitate such a procedure if necessary.



## Annual self-assessment of conformance with the PSIAS 2016

## NON CONFORMANCE/PARTIAL CONFORMANCE ITEMS

## Non Conformance Items

Reference	The Standard	Current Position	Comment
1	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team??	The team is not large enough to allow this. However, all audit work is subject to independent review by HIA.	No further action possible.

## Partial Conformance Items

Reference	The Standard	Current Position	Comment
2	Does the Audit and Standards Committee approve the internal audit budget and resource plans	The approval of the budget is the responsibility of the Council, however, resource plans are approved by the Audit and Standards Committee as part of the internal audit annual planning process.	No further action possible.
3	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	The use of assurance mapping to identify all sources of assurance and the extent to which they can be relied upon is currently being piloted. This process will be ongoing over an extended period.	Progress will be monitored by HIA.
4	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	There is liaison and co-operation with external auditors but face to face meetings are rare. Annual plans are shared.	No further action possible.

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	22 SEPTEMBER 2016	8
<b>EFFECTIVENESS OF THE AUDIT AND STANDARDS COMMITTEE</b>			

## PUBLIC ITEM

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

### SUMMARY

The report presents the findings of a self-assessment exercise undertaken by the Chair and Vice Chair of the Committee in relation to the effectiveness of the Audit and Standards Committee in relation to the audit element. The self-assessment compared existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

### RECOMMENDATIONS

1. The Committee agrees the findings of the self-assessment of the effectiveness of the Audit Committee against the checklist provided by CIPFA in their publication 'Audit Committees: Practical Guidance for Local Authorities and Police' undertaken by the Chair and Vice Chair of the Committee supported by the Head of Internal Audit.
2. The Committee adopts the improvement action plan arising from the checklist to be implemented prior to the next annual review.

### SUMMARY OF PREVIOUS DECISIONS

The previous review of the Committee's effectiveness was carried out in 2014 when the effectiveness of the former Audit Committee was confirmed. No assessment was undertaken in 2015 because a completely new Audit and Standards Committee was established, retaining the same Chair but with all new members.

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

## REPORT

1. The Audit and Standards Committee forms a key component in the corporate governance and internal control framework that provides accountability to stakeholders on all areas of governance, risk and financial management. The effectiveness of the Council's Audit and Standards Committee forms part of the evidence used in preparing the Annual Governance Statement.
2. An effective audit committee helps to raise the profile of internal control, risk management and financial reporting within the Council, as well as providing a forum for the discussion of issues raised by both internal and external auditors. It also enhances public trust and confidence in the financial governance of the Council.
3. Best practice guidance set out by CIPFA in its publication 'Audit Committees: Practical Guidance for Local Authorities and Police', recommends that committees periodically review their own effectiveness in discharging their responsibilities. The guidance incorporates an effectiveness self-assessment checklist to permit benchmarking against good practice.
4. Evidence of effectiveness comprises influence, persuasion and support for improvement in various key areas. In addition, the committee itself must be properly constituted, with a knowledgeable and experienced membership, and proper authority in relation to all the core areas identified by CIPFA's guidance:
  - good governance
  - assurance framework
  - internal audit
  - external audit
  - financial reporting
  - risk management
  - value for money
  - counter-fraud and corruption
5. The Chair and Vice Chair of the Audit and Standards Committee carried out the self-assessment review against the checklist, supported by the Head of Internal Audit, and this report presents the results. The review, which relates solely to the audit element of the committee's mandate, will be re-performed annually to ensure the effectiveness of the committee is maintained.
6. The main conclusion that can be drawn from the self-assessment is that the Audit and Standards Committee has the framework in place to act effectively and does so in practice. However, there were certain areas where divergence from best practice was noted and actions to achieve improvements are proposed.
7. The self-assessment checklist is attached as an Appendix to this report.

IMPLICATIONS	
Finance	The report presents the findings of a self-assessment exercise undertaken by the Chair and Vice Chair of the Committee in relation to the effectiveness of the Audit and Standards Committee. Adoption of the improvement action plan arising from the exercise, as the report proposes, will enhance the governance and probity regime.
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	In completing this review the Council seeks compliance with best practice in demonstrating the effectiveness of the Audit and Standards Committee, which is a key component in the consideration of the system of internal control and risk

LEAD AUTHOR	TEL	DATE	DOC ID
Savile Sykes	01253 658413	22 September 2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Effectiveness of the Audit Committee 2014	June 2014	<a href="#">S:\Internal Audit\Effectiveness of Audit Cttee - Report 2014.doc</a>

#### Attached documents

1. Self-Assessment of Good Practice Checklist 2016
2. Evaluation of Areas Where the Committee Can Add Value 2016
3. Audit and Standards Committee Improvement Plan 2016/17

## Fylde Council - CIPFA Self-Assessment of Good Practice

CIPFA self-assessment of Good Practice – July 2016

Good practice questions		Yes	Partly	No	Comments	Actions
<b>Audit committee purpose and governance</b>						
1	Does the authority have a dedicated audit committee?	✓			A dedicated Audit Committee has been in place since 2006.	No action required
2	Does the audit committee report directly to full council? (Applicable to local government only.)			✓	<p>A periodic report on the committee's work is not submitted to Full Council.</p> <p>The Chair/Vice Chair did not consider that this would add value to work of the committee.</p> <p>However, if there are any matters considered by the Audit and Standards Committee that require a decision by Full Council, then a report is prepared and presented i.e. Report of Prudential Indicators and Treasury Management.</p>	No action proposed

Good practice questions		Yes	Partly	No	Comments	Actions
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		✓		The present terms of reference do not fully set out the purpose of an Audit Committee as documented in CIPFA's Position Statement.	Amendments to the Committee's terms of reference to reflect CIPFA's Position Statement should be referred to the Council for approval.  The responsibility for and means of providing assurance on risk management to the Council and the public needs to be properly re-established and made clear in the revised terms of reference.
4	Is the role and purpose of the audit committee understood and accepted across the authority?		✓		The role and purpose of the Audit and Standards Committee forms part of member training. The standards element will be clearly understood arising from the Members' Code of Conduct. The financial and accounting aspects of the role are also likely to be known.  However, a broad understanding of the audit element may not be present.	The Head of Governance will provide further training concerning the audit element of the committee's role (governance, risk and control) as part of a wider session on committee roles and functions.
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			The Audit Committee provides assurance on the adequacy of internal control, risk management and the integrity of financial reporting and the annual governance processes.	No action required

Good practice questions		Yes	Partly	No	Comments	Actions
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		<p>A review of effectiveness has been completed annually and where areas for improvement are identified, suitable improvement actions are put in place.</p> <p>In addition, CIPFA guidance suggests that the committee should be held to account by the council. The Chair/Vice Chair did not consider that this would add value to work of the committee.</p>	No action proposed
<b>Functions of the committee</b>						
7	<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA'S Position Statement?</p> <ul style="list-style-type: none"> <li>• good governance</li> <li>• assurance framework</li> <li>• internal audit</li> <li>• external audit</li> <li>• financial reporting</li> <li>• risk management</li> <li>• value for money</li> <li>• counter-fraud and corruption</li> </ul>		✓		Although the current terms of reference do mention the core areas identified in CIPFA'S Position Statement, they are not always in the same context or to the same extent as the suggested core functions in the CIPFA guidance.	The Audit and Standards Committee's terms of reference will be compared to the core areas as identified in CIPFA's guidance. Any enhancements or changes suggested will be referred to the Council for addition into the terms of reference as required.
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			The annual review of effectiveness gives the Audit Committee the opportunity to assess if it is fulfilling the terms of reference.	No action required

Good practice questions		Yes	Partly	No	Comments	Actions
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them: <ul style="list-style-type: none"> <li>• Considering matters at the request of other committees and statutory officers</li> <li>• Supporting ethical values in support of the standards regime</li> <li>• Reviewing and monitoring treasury management</li> <li>• Providing oversight of other public reports such as the annual report</li> </ul>	✓			The Audit and Standards Committee either already does or would consider all of the wider areas identified in CIPFA's Position Statement. It also works to support ethical values through its standards work.	No action required
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A			There have been no instances where coverage of core areas has been found to be limited.	No action required
11	Has the committee maintained its non-advising role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Committee's core purpose has been extended to encompass the area of standards, but it does not exercise decision making powers that are not documented within its terms of reference.	No action required



Good practice questions		Yes	Partly	No	Comments	Actions
<b>Membership and support</b>						
12	<p>Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> <li>▪ separation from the executive</li> <li>▪ an appropriate mix of knowledge and skills among the membership</li> <li>▪ a size of committee that is not unwieldy</li> <li>▪ where independent members are used, that they have been appointed using an appropriate process.</li> </ul>	N/A			<p>Fylde Council no longer has a Cabinet structure and, therefore, no split between executive and legislative functions. Functions are vested in the council itself, and then exercised by committees of the council. However, neither the Audit Committee Chair/Vice is the Chair/Vice of another programme committee. Also no other committee members have such roles.</p> <p>The appointment of independent members for the audit elements of the committee's work (governance, risk and control) is not mandatory, although some councils have chosen to recruit independent members for this purpose.</p>	No action required
13	Does the chair of the committee have appropriate knowledge and skills?	✓			The Chairman of the Audit and Standards was appointed in 2007, has held office continuously since, and has extensive knowledge and experience having previously worked as an internal auditor for a number of years.	No action required

Good practice questions		Yes	Partly	No	Comments	Actions
14	Are arrangements in place to support the committee with briefings and training?	✓			Audit committee members have received training on finance, external audit, internal audit, governance, risk management and corporate fraud. Members also attend a financial workshop on the annual statements of accounts, which is provided by finance and external audit. However, further training on the role of the audit committee and corporate fraud is to be arranged.	See actions 4 and 15 which address this issue
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			✓	Members have completed Councillor Development Plans.  The induction training for committee members in May 2015 covered the core areas of the knowledge and skills framework. On-going Audit Committee attendance will ensure members complete the work programme thereby continually enhancing their knowledge and skills.  Also see comments and action relating to 4 above.	A brief questionnaire will be developed and circulated to committee members for the purposes of identifying skills/knowledge gaps against the core knowledge and skills framework with any training needs addressed as part of the Member Development regime.

Good practice questions		Yes	Partly	No		
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			The Audit and Standards Committee has good working relationships with all key officers, including external audit, internal audit and the chief financial officer.	No action required
17	Is adequate secretariat and administrative support to the committee provided?	✓			Secretariat and administrative support for the committee is good.	No action required
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			✓	The Committee has not obtained feedback on its performance from those interacting with it or relying on its work.	A brief questionnaire will be developed and sent to External Audit, Leader of the Council, Chief Executive, Director of Resources, Head of Governance and the Chief Financial Officer, seeking feedback on the performance of the Audit and Standards Committee.
19	Has the committee evaluated whether and how it is adding value to the organisation?	✓			An evaluation of whether the audit committee is adding value to the Council has been carried out and it has been assessed that this is the case.  A copy of the evaluation is attached for information.	No action required
20	Does the committee have an action plan to improve any areas of weakness?	✓			Any actions contained within this checklist will be formed into an action plan for improvement.	The Committee will adopt this action plan arising from the checklist to be implemented prior to the next annual review.

## AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE (Good Practice Question 19)

Area	Example of how the committee can add value	Assessment	Overall Achievement
1. Promoting good governance	<ul style="list-style-type: none"> <li>Robust review of AGS and the assurances underpinning it</li> <li>Supporting reviews of governance arrangements</li> <li>Reviewing governance arrangements in partnerships</li> </ul>	<ul style="list-style-type: none"> <li>The review is carried out annually - assurances received from known sources e.g. internal/external audit</li> <li>Governance reviews always included in audit plan</li> <li>Governance arrangements in partnerships not covered</li> </ul>	Overall the A&S Committee adds value to the area, with improvements resulting 5/5
2. Contributing to the development of the control environment	<ul style="list-style-type: none"> <li>Monitoring implementation of agreed recommendations</li> <li>Raising concerns with appropriate managers</li> </ul>	<ul style="list-style-type: none"> <li>This is done - Chairman takes particular interest in this</li> <li>Managers have been called to the committee and met separately by Chair/HIA to address concerns regarding implementation</li> </ul>	Overall the A&S Committee adds value to the area, with improvements resulting 5/5
3. Supporting arrangements for effective risk management	<ul style="list-style-type: none"> <li>Reviewing risk management arrangements</li> <li>Holding risk owners to account</li> </ul>	<ul style="list-style-type: none"> <li>Risk management arrangements are reviewed annually e.g. Risk Management Strategy</li> <li>Under recent procedural changes not all risk owners are held to account by the A&amp;S Committee</li> </ul>	There is evidence that the A&S Committee adds value but there are gaps, with some risk owners held to account by other forums 3/5
4. Advising on the adequacy of the assurance framework	<ul style="list-style-type: none"> <li>Reviewing the effectiveness of assurance providers - internal audit, external audit, risk manager</li> </ul>	<ul style="list-style-type: none"> <li>Effectiveness of internal audit is assessed annually, periodically by external assessment. External audit providers are pre-endorsed as competent. Assurance on risk management is provided by regular internal audit review and report</li> </ul>	Overall the A&S Committee adds value to the area by ensuring effectiveness 4/5
5. Supporting the quality and independence of internal audit	<ul style="list-style-type: none"> <li>Reviewing the internal audit charter</li> <li>Assessing the effectiveness of internal audit arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit charter reviewed and endorsed</li> <li>Effectiveness of internal audit is assessed annually</li> </ul>	Overall the A&S Committee adds value to the area by supporting quality and independence 4/5

Area	Example of how the committee can add value	Assessment	Overall Achievement
6.Aiding the achievement of the authority's goals by ensuring proper governance, control and risk arrangements are in place	<ul style="list-style-type: none"> <li>Ensuring governance, control and risk arrangements are in place for major programmes and projects</li> <li>Reviewing the effectiveness of project management</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance arrangements are assessed annually via the AGS review; assurance on the control framework is received from the annual report of internal audit; the risk management strategy sets the approach to risk for the authority.</li> <li>Assurance on project management effectiveness is received via the AGS review</li> </ul>	Overall the A&S Committee adds value to the area by ensuring proper corporate arrangements are in place for governance, control, risks and project management  4/5
7.Supporting arrangements to secure value for money	<ul style="list-style-type: none"> <li>Ensuring that assurance on value for money is received</li> </ul>	<ul style="list-style-type: none"> <li>Assurance on value for money is received via the AGS</li> </ul>	Overall the A&S Committee adds value to the area by monitoring assurance received on value for money  4/5
8.Supporting effective arrangements for countering fraud and corruption	<ul style="list-style-type: none"> <li>Reviewing the effectiveness of the strategy to address fraud risks</li> <li>Assessing the effectiveness of ethical governance arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Fraud arrangements form part of the Anti-Fraud and Corruption Strategy, which is approved by the A&amp;S Committee</li> <li>Ethical governance is reviewed periodically and reported on by internal audit, highlighting any deficiencies</li> </ul>	Overall the A&S Committee adds value to the area by supporting effective arrangements for fraud and ethical governance  4/5
9.Promoting effective public reporting to improve transparency and accountability	<ul style="list-style-type: none"> <li>Ensuring decision making is transparent, publicly accessible, targeted to the proper audience and in plain English</li> </ul>	<ul style="list-style-type: none"> <li>Corporate arrangements ensure A&amp;S Committee meetings are held in public; agendas and minutes are published promptly on the website</li> </ul>	The A&S Committee supports effective public reporting and abides by corporate standards, but there is no evidence of specific improvement action. However, this area is not a problem corporately  2/5

**Assessment key**

5/5 Clear evidence that the committee is actively supporting improvement in the area - the improvements are clearly identifiable

4/5 Clear evidence that the committee is actively supporting improvement in the area - some improvement in some areas

3/5 Some evidence of support for improvement in this area, but with some gaps - evidence of improvement uncertain

2/5 Some evidence of support for improvement in this area but with limited impact

1/5 No clear evidence of support in this area

## Fylde Council - Audit and Standards Committee Improvement Plan

**AUDIT AND STANDARDS COMMITTEE IMPROVEMENT PLAN 2016/17**

Reference	Good Practice Issue Identified	Action	By When	Comments
1	The present terms of reference do not fully set out the purpose of an Audit Committee as documented in CIPFA's Position Statement.	<p>Amendments to the Committee's terms of reference to reflect CIPFA's Position Statement should be referred to the Council for approval.</p> <p>The responsibility for and means of providing assurance on risk management to the Council and the public needs to be properly re-established and made clear in the revised terms of reference.</p>	March 2017	
2	The role and purpose of the Audit and Standards Committee forms part of member training. The standards element will be clearly understood arising from the Members' Code of Conduct. The financial and accounting aspects of the role are also likely to be known. However, a broad understanding of the audit element may not be present.	The Head of Governance will provide further training concerning the audit element of the committee's role (governance, risk and control) as part of a wider session on committee roles and functions.	March 2017	
3	Although the current terms of reference do mention the core areas identified in CIPFA'S Position Statement, they are not always in the same context or to the same extent as the suggested core functions in the CIPFA guidance.	The Audit and Standards Committee's terms of reference will be compared to the core areas as identified in CIPFA's guidance. Any enhancements or changes suggested will be referred to the Council for addition into the terms of reference as required.	March 2017	

Reference	Good Practice Issue Identified	Action	By When	Comments
4	The induction training for committee members in May 2015 covered the core areas of the knowledge and skills framework. On-going Audit Committee attendance will ensure members complete the work programme thereby continually enhancing their knowledge and skills. However, no assessment has been carried out.	A brief questionnaire will be developed and circulated to committee members for the purposes of identifying skills/knowledge gaps against the core knowledge and skills framework, with any training needs addressed as part of the Member Development regime.	March 2017	
5	The Committee has not obtained feedback on its performance from those interacting with it or relying on its work.	A brief questionnaire will be developed and sent to External Audit, Leader of the Council, Chief Executive, Director of Resources, Head of Governance and the Chief Financial Officer, seeking feedback on the performance of the Audit and Standards Committee.	March 2017	

# INFORMATION ITEM



REPORT OF		MEETING	DATE	ITEM NO
OFFICE OF THE CHIEF EXECUTIVE		AUDIT AND STANDARDS COMMITTEE	22 SEPTEMBER 2016	9
UPDATE OF THE RISKS WITHIN THE STRATEGIC RISK REGISTER				

## PUBLIC ITEM

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

### SUMMARY OF INFORMATION

This report gives a brief update of how risks that are identified in the 'Strategic Risk Register' are being managed in other areas.

### SOURCE OF INFORMATION

Planning Policy Manager (Julie Glaister)  
Chief Financial Officer (Paul O'Donoghue)  
Head of Health & Environment (Kathy Winstanley)  
Corporate Support Officer (Gary Marcus)

### LINK TO INFORMATION

[Update of the risks within the Strategic Risk Register](#)

### WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

At the previous Audit & Standards committee, the chairman asked for a brief update of the risks in other areas. The chairman was aware these risks were being monitored at other committee groups, but wanted clarification that the risks highlighted were being managed and that there were no major issues with them.

### FURTHER INFORMATION

Contact Gary Marcus, Corporate Support Officer.



### Update of the Risks within the 'Strategic Risk Register'

Risk	Risks mitigation method	Monitoring Body	Lead Comments
<p>Local Plan - risk that development in the Borough is not regulated via and adopted local plan, plus the risk that if the Local Plan is not submitted to the Secretary of State by early 2017, that any new allocation of New Homes Bonus due to the Council in that year will be withheld.</p>	<p>Action Plan</p>	<p>Development Management Committee</p>	<p>The Local Plan production process is currently on track and there are no major issues. Development Management Committee are in receipt of regular updates.</p> <p>The Local Plan was published on Thursday 11<sup>th</sup> August 2016 under Regulation 19 of the Town and Country Planning( Local Planning)(England)Regulations 2012. The six week consultation will run until 22<sup>nd</sup> September 2016. Representations are invited on the Publication Version of the Local Plan. The Council then has to summarise the representations and provide a response to them. This report will be presented to Development Management Committee.</p> <p>Then the Local Plan and all accompanying documents will be submitted for Examination. A programme officer will be appointed. The Planning Inspectorate will appoint an examiner and advise the Council when the Examination will be held, which is likely to be early next year.</p> <p><i>Julie Glaister – Planning Policy Manager – Aug 2016</i></p>
<p>LCC Cost Sharing- risk that changes to the LCC cost sharing agreement on waste will result in a significant negative impact on resources making it difficult to deliver the Council's other priorities.</p>	<p>Progress reported to Operational Management Committee and reported in terms of financial implications through the MTFS</p>	<p>Operational Management/ Finance &amp; Democracy Committee</p>	<p>The decision by Lancashire County Council to end the cost sharing arrangement leaves a significant funding gap for the Council, with a recurring loss of £763,000 per annum from 2018/19 onwards which is currently used to support the Council's waste and recycling services. This loss of income has been reflected in the Council's MTFS from 2018/19 onwards. The work commissioned by LCC on the Lancashire wide waste review has been concluded and did not yield any significant savings. The authority now needs to put plans in place to mitigate against these known losses by considering changes in service delivery and income generating opportunities, for example, the introduction of a charge for the collection of garden waste. The Operational Management Committee have received reports on the options available and will be considering these further at its September meeting.</p> <p><i>Kathy Winstanley – Head of Health &amp; Environment – Aug 2016</i></p>

Financial Challenges - medium term risk that the Council's ability to deliver key projects and services is compromised due to limited and reducing resources.	Managed via MTFS	Finance & Democracy Committee	<p>The Medium Term Financial Strategy (MTFS) is currently in the process of being updated in line with the budget setting timetable. This involves budget holders from across the Council and includes a thorough review of assumptions and estimates for all income streams, government funding, and expenditure items together with an update of all identified risks. The Budget Working Group has also met to consider the updated financial forecast and will continue to do so through the budget cycle in order to assess the financial challenges faced by the Council. An updated MTFS including an updated financial forecast will be presented to the Finance and Democracy Committee on 21<sup>st</sup> November 2016 and to Council on 5<sup>th</sup> December 2016.</p> <p><i>Paul O'Donoghue – Chief Financial Officer – Aug 2016</i></p>
Cyber Attacks - risk that the Council's ICT infrastructure is compromised by cyber-attack such that services cannot be delivered effectively.	Risk Action Plan	Strategic Risk Management Group & Reports to Audit and Standards Committee	<p>The last Audit &amp; Standards Committee received an update report on the detailed action plan along with status updates for each action. At the time of the report, all of actions that were due to be completed had been completed on time. There are several further actions that still need completing later in the year and progress is being made with these.</p> <p><i>Gary Marcus – Corporate Support Officer – Aug 2016</i></p>

# INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	22 SEPTEMBER 2016	10
<b>REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS</b>			

## PUBLIC ITEM

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

### SUMMARY OF INFORMATION

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

### SOURCE OF INFORMATION

Director of Resources

### LINK TO INFORMATION

[Information Note](#)

### WHY IS THIS INFORMATION BEING GIVEN TO THE COMMITTEE?

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

### FURTHER INFORMATION

Contact Ian Curtis on 01253 658506 or at [ianc@fylde.gov.uk](mailto:ianc@fylde.gov.uk).

# INFORMATION NOTE

## Regulation of Investigatory Powers Act 2000: Authorisations

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

Quarter	Directed surveillance	CHIS	Total	Purpose
16 June 2016 – September 2016 <sup>1</sup>	0	0	0	

### FURTHER INFORMATION AVAILABLE FROM

Ian Curtis, Head of Governance, [ianc@fylde.gov.uk](mailto:ianc@fylde.gov.uk) , 01253 658506.

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