

Agenda

Audit and Standards Committee

Date:	Thursday, 15 July 2021 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	Councillor John Singleton JP (Chairman) Councillor Ellie Gaunt (Vice-Chairman) Councillors Paula Brearley, Delma Collins, Peter Collins, Brian Gill, Will Harris, Paul Hayhurst, Ed Nash.

	PROCEDURAL ITEMS:	PAGE
1	Declarations of Interest: Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	Confirmation of Minutes: To confirm the minutes, as previously circulated, of the meeting held on 20 May 2021 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 23(c).	1
	AUDIT DECISION ITEMS:	
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10	Annual Governance Statement	73 - 99

Contact: Democracy – Email: democracy@fylde.gov.uk

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

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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	15 JULY 2021	4
DELOITTE LLP CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2019/20			

PUBLIC ITEM

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

SUMMARY

The report presents the Certification of Claims and Returns - annual report for 2019/20 by Deloitte LLP.

RECOMMENDATION

The committee is recommended to:

1. Note the contents of the 'Certification of Claims and Returns - annual report for 2019/20' by Deloitte LLP which is attached to this covering report.

SUMMARY OF PREVIOUS DECISIONS

This item is considered each year by the Audit and Standards Committee in respect of the previous financial years grant claims.

CORPORATE PRIORITIES

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

REPORT

1. The attached report has been prepared by the Council's external auditors Deloitte LLP. It summarises the results of work carried out on the certification of the Council's grant claims and returns relating to 2019/20.
2. The only return requiring external audit for the financial year is the Housing Benefit Subsidy claim form, details of which are set out in the appendix to this report.

IMPLICATIONS	
Finance	There are no financial implications arising directly from this report
Legal	No implications arising from this report
Community Safety	No implications arising from this report
Human Rights and Equalities	No implications arising from this report
Sustainability and Environmental Impact	No implications arising from this report
Health & Safety and Risk Management	No implications arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	July 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 - Report of Deloitte LLP- Certification of Claims and Returns - annual report for 2019/20

Housing Benefit (Subsidy) Assurance Process 2019/20 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2020

To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.

And: The Section 151 Officer of Fylde Borough Council, Paul O'Donoghue, Section 151 Officer.

This report is produced in accordance with the terms of our engagement letter with Fylde Borough Council dated 14th May 2021 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2019/20 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Fylde Borough Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 30 April 2020.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2019/20.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2019/20 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable

accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2019/20 dated 30 April 2020 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related Services (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 30 April 2020, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the

Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells.

Cell 011 Non HRA Rent Rebate

No claims were found to be in error.

Cell 055 HRA rent rebate

No claims were included in this cell.

Cell 094 Rent Allowance

No claims were found to be in error.

Cell 214 Modified Schemes

No claims were found to be in error.

Completion of Modules

Completion of Module 2

No issues were noted

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

There are no qualifications raised in the previous year which require additional work to be performed.

Summary paragraph/ending of letter

For the form MPF720A dated 30 April 2020 for the year ended 31 March 2020 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D.

Firm of accountants: **Deloitte LLP**

Office: **St. Albans**

Contact details:

Engagement Lead:

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Signature:

Deloitte LLP

Date: 27th May 2021

Appendix A Exceptions/errors found

There are no errors to report.

Appendix B Observations

There are no observations to report.

Appendix C: Amendments to the claim form MPF720A

No matters to report

Appendix D Additional issues

No matters to report

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	15 JULY 2021	5

DELOITTE LLP AUDIT FEE LETTERS 2020/21 AND 2021/22

PUBLIC ITEM

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

SUMMARY

The report presents the Audit Fee Letters from Deloitte LLP for the above financial years.

RECOMMENDATION

The Committee is recommended to note the Deloitte LLP Audit Fee Letters for 2020/21 and 2021/22, which are attached to this covering report, and to provide any comments as appropriate.

SUMMARY OF PREVIOUS DECISIONS

This is the first occasion on which the 2020/21 and 2021/22 Audit Fee Letters have been considered by the Audit and Standards Committee.

CORPORATE PRIORITIES

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

REPORT

1. The attached reports have been prepared by the Council's external auditors, Deloitte LLP. The reports summarise the fee levels in respect of Deloitte's audit work for Fylde Borough Council for the 2020/21 and 2021/22 financial years.
2. Members will note that both of the letters propose additional fees chargeable by Deloitte in relation to changed requirements in relation to Value for Money work. Deloitte will attend the meeting to explain the additional requirements and the implications for the council.

IMPLICATIONS	
Finance	The council's base revenue budget includes provision for external audit fees in line with the scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA). Once final fees are agreed with Deloitte, including any additional fees for increased work in respect of changed requirements in relation to Value for Money work, it may be necessary to update the council's financial forecast to reflect the updated fees.
Legal	None arising from this report
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue Chief Financial Officer	01253 658566	July 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 - Report of Deloitte LLP - Audit Fee Letter 2020/21

Appendix 2 - Report of Deloitte LLP - Audit Fee Letter 2021/22

2 July 2021

Paul O'Donoghue
Chief Financial Officer
Fylde Borough Council
The Town Hall
St Annes Road West
Lytham St Annes
Lancashire
FY8 1LW

Dear Paul

Fee for the audit of the accounts of Fylde Borough Council for the year ending 31 March 2021

We are writing to set out our fee for the audit of the accounts of Fylde Borough Council for the year ending 31 March 2021.

Proposed fee for the audit

The scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA) in respect of the year ending 31 March 2021 is £36,729. This compares to the published fee scale for 2019/20 of £36,729.

We are proposing one variation to the scale fee due to the changed requirements in relation to the Value for Money work, we estimate the cost to be between £5,000 and £10,000.

Work programme

Our audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and their assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

Once we have completed our detailed planning and risk assessment procedures, we will present our initial audit plan to those charged with governance and provide an explanation for any variances to the published scale rate set out in this letter and following the approval process described below.

Assumptions on which the fee is based

The 2020/21 scale fee and our proposed fee is based on the following assumptions:

- there are no significant changes (compared to that applying to 2019/20 and reflected in the published fee scale for that year) in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for our 2020/21 audit;
- the authority is able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes; and
- audit risk and complexity are similar to the level identified and reflected in the scale fee for 2019/20, including that: the authority maintains a strong control environment; and our value for money work does not identify any significant weaknesses.

The proposed fee does not include fees for considering objections or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998. These will be charged as a variation to the scale fee using the procedure described below.

Certification work is not covered by PSAA's audit contract and is therefore not within the scope of this letter. Where such work is requested, a separate tripartite engagement between the relevant department, the audited body and a reporting accountant is needed.

The fees exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Variations to the proposed fee

Where it becomes clear that the amount of work required is significantly different to that which would be expected based on these assumptions (and reflected in the above fees), we will request a variation to the proposed fee.

We will first discuss the reasons for the additional fee with you and then submit a request to PSAA for a variation in the fee. PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee.

Yours sincerely



Deloitte LLP

2 July 2021

Paul O'Donoghue
Chief Financial Officer
Fylde Borough Council
The Town Hall
St Annes Road West
Lytham St Annes
Lancashire
FY8 1LW

Dear Paul

Fee for the audit of the accounts of Fylde Borough Council for the year ending 31 March 2022

We are writing to set out our fee for the audit of the accounts of Fylde Borough Council for the year ending 31 March 2022.

Proposed fee for the audit

The scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA) in respect of the year ending 31 March 2022 is £36,729. This compares to the published fee scale for 2020/21 of £36,729.

We are proposing one variation to the scale fee due to the changed requirements in relation to the Value for Money work, we estimate the cost to be between £5,000 and £10,000 however will refine this understanding following conclusion of the 2020/21 audit.

Work programme

Our audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and their assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office 1 New Street Square, London, EC4A 3HQ, United Kingdom.

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Once we have completed our detailed planning and risk assessment procedures, we will present our initial audit plan to those charged with governance and provide an explanation for any variances to the published scale rate set out in this letter and following the approval process described below.

Assumptions on which the fee is based

The 2021/22 scale fee and our proposed fee is based on the following assumptions:

- there are no significant changes (compared to that applying to 2020/21 and reflected in the published fee scale for that year) in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for our 2021/22 audit;
- the authority is able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes; and
- audit risk and complexity are similar to the level identified and reflected in the scale fee for 2020/21, including that: the authority maintains a strong control environment; and our value for money work does not identify any significant weaknesses.

The proposed fee does not include fees for considering objections or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998. These will be charged as a variation to the scale fee using the procedure described below.

Certification work is not covered by PSAA's audit contract and is therefore not within the scope of this letter. Where such work is requested, a separate tripartite engagement between the relevant department, the audited body and a reporting accountant is needed.

The fees exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Variations to the proposed fee

Where it becomes clear that the amount of work required is significantly different to that which would be expected based on these assumptions (and reflected in the above fees), we will request a variation to the proposed fee.

We will first discuss the reasons for the additional fee with you and then submit a request to PSAA for a variation in the fee. PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee.

Yours sincerely



Deloitte LLP

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT ENGAGEMENT LEAD	AUDIT AND STANDARDS COMMITTEE	15 JULY 2021	6
INTERNAL AUDIT CHARTER			

PUBLIC ITEM

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

SUMMARY

The Internal Audit Charter is a requirement of the Public Sector Internal Audit Standards, which should be approved by the Audit and Standards Committee.

RECOMMENDATION

The Committee is recommended to approve the Internal Audit Charter.

SUMMARY OF PREVIOUS DECISIONS

None.

CORPORATE PRIORITIES

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

INTERNAL AUDIT CHARTER

1. The Internal Audit Charter is mandated through the Public Sector Internal Audit Standards (2016) and is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
2. The Charter was last formally approved by the Audit and Standards Committee in March 2019 and therefore it is now appropriate for it to be reviewed given the transfer of the Internal Audit function to MIAA.

IMPLICATIONS

Finance	None arising from this report
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Legal	There are no legal implications from this report; however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Sandra Cudlip	sandra.cudlip@miaa.nhs.uk & Tel 07879 487 555	20 May 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 – Internal Audit Charter

Internal Audit Charter - FINAL

Fylde Borough Council

Contents

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

1 Introduction and Background

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

This Charter is structured around the Public Sector Internal Audit Standards (2016).

Public Sector Internal Audit Standards – Attribute Standards

1000 - Purpose, Authority and Responsibility

1100 - Independence and Objectivity

1200 - Proficiency and Due Professional Care

1300 - Quality Assurance and Improvement Programme

Public Sector Internal Audit Standards – Performance Standards

2000 - Managing the Internal Audit Activity

2100 - Nature of Work

2200 - Engagement Planning

2300 - Performing the Engagement

2400 - Communicating Results

2500 - Monitoring Progress

2600 – Communicating the acceptance of risks.

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

2 Standard 1000 - Purpose, Authority and Responsibility

Internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹”.

The provision of assurance services is the primary role for internal audit in the Public Sector. This role requires the internal auditor to provide an independent opinion based on an objective assessment of the framework of governance, risk management and control. The main purpose of internal audit activity within the Council is therefore to provide the Chief Executive with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Director of Internal Audit's opinions is a key element of the

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framework of assurance that the Chief Executive needs to inform the completion of the Annual Governance Statement (AGS).

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

The above functions drive MIAA's Mission Statement "To support improved public service outcomes through a world class shared service for audit, assurance, challenge and solutions".

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

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

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

3 Standard 1100 - Independence and Objectivity

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

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

The Director of Internal Audit will report functionally to the Audit & Standards Committee and establish effective communication with, and have free and unfettered access to and freedom to report in his or her name to the Chief Executive and to the Chair of Audit and Standards Committee. In addition the Director of Internal Audit also has direct access to the Council's Monitoring Officer, the S151 Officer and all senior management. This will include communicating and interacting directly with the Audit and Standards Committee.

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

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

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

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

4 Standard 1200 - Proficiency and Due Professional Care

Engagements will be performed with proficiency and due professional care. Internal auditors will possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively will possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities. The Director of Internal Audit is a CCAB qualified Accountant and is responsible for ensuring access to the full range of knowledge, skills, qualifications and experience to meet the requirements of the Internal Audit Standards. MIAA internal auditors will ensure Continuing Professional Development and compliance with professional standards.

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

5 Standard 1300 - Quality Assurance and Improvement Programme

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

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

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

6 Standard 2000 - Managing the Internal Audit Activity

The Director of Internal Audit will develop and maintain an Internal Audit strategy designed to meet the main purpose of the internal audit activity and its service provision needs. This strategy will advocate a systematic and prioritised review, outlining the resources and skills required to meet the assurance needs of the Chief Executive, Full Council and Audit and Standards Committee.

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

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

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

Where the Director of Internal Audit believes that the level of agreed resources will prevent the Chief Executive being provided with an opinion on the overall adequacy and effectiveness of the

organisation's framework of governance, risk management and control, the consequences will be brought to the attention of the Audit and Standards Committee.

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

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

7 Standard 2100 - Nature of Work

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

The Director of Internal Audit will liaise on a regular basis with the nominated Corporate Fraud Manager (CFM) for the organisation to identify any potential risk of fraud and ensure that any potential or actual frauds identified through internal audit activity are referred to the CFM for investigation.

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

8 Standard 2200 - Engagement Planning

The Director of Internal Audit will establish a risk based Internal Audit Plan in conjunction with the client and with the agreement of the Audit and Standards Committee. The plan will set out the priorities for Internal Audit activity, consistent with the organisations goals and objectives.

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

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

9 Standard 2300 - Performing the Engagement

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

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

10 Standard 2400 - Communicating Results

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

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

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

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

The annual report will incorporate;

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

11 Standard 2500 - Monitoring Progress

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

12 Standard 2600 - Communication the Acceptance of Risks

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

Code of Ethics

MIAA will operate within the definition of Internal Auditing and ensure that the Code of Ethics (Institute of Internal Auditors, 2009) underpins the internal audit services provided to the organisation.

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

13 Definitions

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

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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	15 JULY 2021	7
INTERNAL AUDIT EFFECTIVENESS			

PUBLIC ITEM

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

SUMMARY

This report relates to the results of the External Quality Assessment of Conformance to the Public Sector Internal Audit Standards relating to Mersey Internal Audit Agency (MIAA), who provide the Council's internal audit function. The assessment of MIAA was undertaken by an independent assessor from the Policy and Technical Unit of CIPFA in November 2020 and involved review of key documents and processes and interviews with a range of staff and a sample of key stakeholders (supplemented by a survey of wider key stakeholders).

MIAA were assessed as fully compliant with all standards, with 2 low priority recommendations made to enhance processes which have been actioned.

The report provides a key assurance to the Audit and Standards Committee to support the assessment of the effectiveness of MIAA.

RECOMMENDATIONS

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

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES

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

BACKGROUND

1. The Accounts and Audit (England) Regulations 2015 requires the relevant body, at least once in each year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind the review is to ensure that the opinion in the annual report by the Head of Audit can be relied upon as a key source of evidence in the Annual Governance Statement

2. With effect from 1 April 2013, the Code of Practice for Internal Audit in Local Government in England and Wales was replaced by the Public Sector Internal Audit Standards (PSIAS). These standards are applicable to the whole of the public sector, although a Local Government Application Note (LGAN) was produced by CIPFA in collaboration with the Chartered Institute of Internal Auditors as a sector specific requirement within the PSIAS framework. The LGAN was re-issued in 2019.
3. One of the Attribute Standards refers to a Quality Assurance and Improvement Programme (QAIP) which must comprise both internal and external assessments. Internal assessments are both ongoing and periodic, whilst an external assessment must be undertaken at least once every five years.
4. The LGAN states that if the periodic assessment is in the form of a self-assessment, the checklist contained within the guidance should be used for assessing conformance as it covers both the PSIAS and the LGAN

ASSESSMENT

5. In order to meet the requirements of the Accounts and Audit Regulations a self-assessment has previously been carried out by the Head of Audit using the checklist contained within the revised LGAN.
6. However this year, due to internal audit function of the council being provided by MIAA this evaluation report is an appropriate replacement.

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	Tracy.manning@fylde.gov.uk Tel 01253 658521	June 2021

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

Attached documents

Appendix A – Final Report – External Quality Assessment of Conformance to the Public Sector Internal Audit Standards – Mersey Internal Audit Agency – November 2020

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Mersey Internal Audit Agency – NHS Internal Audit Agency

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Internal QA: Policy and Technical Unit, CIPFA.

14th November 2020

1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). Public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 Mersey Internal Audit Agency (MIAA) is an NHS internal audit, local counter fraud, and advisory service provider operating in the North West of England with a large portfolio of clients, predominantly in the NHS. MIAA has extensive knowledge and experience of NHS Trusts and commissioning organisations. Their client base includes Acute Trusts, Mental Health Trusts, Clinical Commissioning Groups, plus several non-NHS clients from the Local Government, Police, Fire and Rescue, Social Housing and Third Sectors. They are however aware that the remodelling of the NHS with the merger of CCGs and Trusts may adversely impact the scale of their operations. To mitigate this, MIAA have been, and continue to, explore new markets for the business, and the range of services it offers to existing clients.
- 2.2 MIAA is hosted by Liverpool University Hospitals NHS Foundation Trust and reports to a management board made up of representatives from its member organisations who provide the strategic direction for the agency. From an operational perspective, MIAA reports directly to the executive teams and Audit Committees at their respective clients. These two bodies fulfil the roles of 'senior management' and 'the board', as defined by the PSIAS.
- 2.3 MIAA operates from four key locations, namely Liverpool, Chester, Manchester and Darwen. They have large experienced and well-qualified team of professionals, with a good mixture of qualified staff (internal auditors, accountants, and accounting technicians); part qualified and trainees (accountants and internal auditors); plus a range of specialists, for example in counter fraud or information technology auditing. In addition to their own employees, MIAA has access to a bank of professional associates that are called upon as and when the need arises.
- 2.4 MIAA employs several specialists across a range of disciplines, such as information technology auditing and data security, consultancy services, clinical coding, healthcare quality auditing, and data analytics. The latter team uses the IDEA Application as its primary data interrogation and analysis tool.
- 2.5 This broad mix of staff and associates enables MIAA to provide a comprehensive range of services to its clients including consulting and business solutions, IT audit and data security, data analytics, clinical coding, and health care quality services in addition to its assurance reviews.
- 2.6 All NHS internal audit services have been operating under PSIAS since its launch in 2013. This review is their second PSIAS EQA, having had their first EQA in 2016. Delivering a quality service to its clients is a major factor for MIAA who also hold ISO 9001 (2015) and Investors in People (IIP) accreditations and are subjected to periodic external assessments to enable them to maintain these accreditations. In addition to the above, MIAA are approved trainer for three accountancy bodies, namely CIPFA, ACCA and CIMA.
- 2.7 MIAA has detailed procedures and a quality manual in place, supplemented by a comprehensive range of other documents, guides and protocols that cover all aspects of the internal audit, counter fraud and advisory services process. These are well written and easy to follow and provide the auditors with a comprehensive

guide to all aspects of MIAA's operations. Standard templates are used for the engagement working papers and testing schedules, engagement terms of references, action plans and audit reports, all of which are held in the engagement files in MIAA's audit management application (TeamMate Plus).

- 2.8 The TeamMate Plus application is also used for managing the engagements with all staff recording time spent on the assignments in the application. Supervision of the engagements takes place at every stage of the process and is either recorded directly in TeamMate Plus, or outside of the application with all versions of any electronic or hard copy documents that have been reviewed being saved to the application.
- 2.9 MIAA has a robust quality assurance process in place that feeds into its Quality Assurance and Improvement Programme (QAIP), and its ISO 9001 (2015) and IIP accreditations.

3. Validation Process

- 3.1 Given the on-going issues with the COVID-19 pandemic, the self-assessment validation was undertaken remotely and comprised a desktop review of key documents, a customer feedback questionnaire, and 'virtual' interviews with MIAA employees and key stakeholders. The desktop part of the review focussed on determining the strengths and weaknesses of MIAA and formed the key lines of enquiry used during the interview stage. The key lines of enquiry assessed MIAA against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3.2 MIAA provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included the: -
 - self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - sample audit charters for clients;
 - sample of annual reports and opinions;
 - sample of audit plans and strategies;
 - audit procedures and quality manual; and
 - progress and other reports to a sample of client Audit Committees.

All the above documents were examined during the EQA.

- 3.3 The validation process was carried out predominately during the week 21st to 27th September 2020, with some interviews falling into the week commencing the 28th September 2020 depending on the availability of key stakeholders. Virtual interviews were carried out with key personnel from MIAA, plus a sample of key stakeholders from MIAA's customer base, made up of Finance Directors and chairs of Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way MIAA delivered services, and how supportive they had been during the 'lockdown' phase of the pandemic. Clients liked the risk-based approach used and felt that actions raised in audit reports were valid and relevant to enhancing their governance and board assurance frameworks. They also valued the briefing sessions and guidance provided by MIAA to its clients.

- 3.4 A questionnaire was also sent to MIAA’s key stakeholders in advance of the EQA commencing and the results analysed during the review. A summary of the survey results is shown at appendix A of the report. The reviewer also carried out an end-to-end review of a sample of audits to confirm his understanding of the audit process used by MIAA.

4. Opinion

It is our opinion that MIAA’s self-assessment is accurate and, as such, we conclude that MIAA FULLY CONFORMS to the requirements of the Public Sector Internal Audit Standards.

The table below shows MIAA’s level of conformance to the individual standards assessed during this external quality assessment: -

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000	Fully Conforms
Attribute standard 1100	Fully Conforms
Attribute standard 1200	Fully Conforms
Attribute standard 1300	Fully Conforms
Performance standard 2000	Fully Conforms
Performance standard 2100	Fully Conforms
Performance standard 2200	Fully Conforms
Performance standard 2300	Fully Conforms
Performance standard 2400	Fully Conforms
Performance standard 2500	Fully Conforms
Performance standard 2600	Fully Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charters for all MIAA’s clients.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in the quality assurance manual and protocols, and that MIAA is a highly competent, motivated, and professional internal audit agency that conforms to all ten elements of the Core Principles.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that MIAA conforms to the Code of Ethics and this is embedded in their quality assurance manual and protocols. It is part of their overarching culture and underpins the way MIAA and its employees operate.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

We reviewed a sample audit charter for a MIAA client, and the processes used to present the document to the Audit Committee for approval. It is noted that MIAA plans to review and update the audit charter for 2021/22, however we are satisfied that the current format of the audit charter and current processes for presenting them to audit committees conform to attribute standard 1000.

5.5 Attribute Standard 1100 – Independence and Objectivity

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is covered in MIAA's policies and procedures and is an integral part of their culture. The Service reports in its own name and directly to senior management and the Audit Committees at all of its clients. MIAA is an independent internal audit agency that is hosted by Liverpool University Hospitals NHS Foundation Trust and is overseen by a management board made up of representatives from the member organisations.

Neither the Managing Director nor any of the Directors at MIAA have any line management responsibilities other than for MIAA's employees. None of MIAA's employees have operational or managerial functions at any of MIAA's clients. MIAA has a separate Solutions Division that provides consulting and advisory services to MIAA's clients. There is a robust mechanism in place to ensure that the provision of these services does not compromise the independence or objectivity of the Assurance Division (Internal Audit) or any of its employees. All employees sign a declaration of independence each year, which includes a statement to confirm that

they have read and understood the PSIAS and the Standards of Business Conduct for NHS Staff.

We have reviewed MIAA's internal audit and quality assurance manuals, their guidelines, handbooks and other associated documents and protocols, and their quality assurance and improvement plan, together with their reporting lines and positioning in the organisations they work with. We are satisfied that MIAA conforms with attribute standard 1100, although there are some minor enhancements that could be made to documentation for management to consider we have set these out in section 8 of this report.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires MIAA's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that MIAA has a highly professional, experienced, motivated and well qualified workforce. All managers hold relevant qualifications with all of the client engagement managers being CCAB or CIIA qualified. There is a comprehensive staff development programme in place that ensures there are ample opportunities for staff to obtain professional qualifications, maintain their CPD requirements, and keep up to date with developments in the health and wider public sector. MIAA has a substantial pool of staff with a wide range of knowledge and specialisms, including dedicated teams for anti-fraud, business solutions and transformation, ICT audit, data analytics, clinical coding, and healthcare quality assurance.

As mentioned above, MIAA has a small data analytics team who use computer assisted audit techniques to support the general audits as well as undertaking bespoke assignments. Their chosen software for this work is the IDEA application, although they are not currently using any of the add-on tools available for this product.

It is evident from the review that the highly motivated and experienced workforce perform their duties with due professional care. We are satisfied that MIAA complies with attribute standard 1200, although we feel there are some opportunities to strengthen the services they provide to their clients, and perhaps grow their business, that we have set out in section 8 of this report.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Director of MIAA to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

MIAA has developed a robust and effective quality assurance process that ensures engagements are performed to the highest possible standard within the available resources. It is effective and feeds into MIAA's quality assurance and improvement programme. We have examined this process during this EQA and are satisfied that MIAA conforms to attribute standard 1300.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Managing Director of MIAA to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Managing Director must produce an audit plan for each client, and communicate this and MIAA's resource requirements,

including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Managing Director must ensure that MIAA's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Managing Director to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Managing Director to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

As mentioned in section two of this report, MIAA has comprehensive internal audit, anti-fraud and quality assurance manuals, supervision and quality assurance processes in place that meets the requirements of the PSIAS. They have developed comprehensive planning processes that follow best practice by taking into consideration the client's risks, objectives and board assurance frameworks; other relevant and reliable sources of assurance; any key issues identified by their clients and their own horizon scanning; and MIAA's own risk and audit needs assessments. From this information, they produce risk-based audit plans that are designed to enhance the client's board assurance framework and control processes; and objectively provide them with relevant assurance. These audit plans are reviewed and approved by the senior management and the Audit Committees at each client. Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of MIAA, is regularly reported to the respective Audit Committees, with an annual report opinion for each client being issued at the end of the year.

The clear indication from this EQA is that MIAA is effectively managed and conforms to standard 2000.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's board assurance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by MIAA and is set out in their internal audit and quality assurance manuals and supporting guidelines, the audit management system, and their working methodologies. During this EQA, we selected a small sample of completed audit engagements from different clients and examined them to see if they conformed to standard 2100 and MIAA's own methodologies. We found that the sample audits complied with both.

Internal audit's credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. MIAA achieves this primarily through its comprehensive programme of briefing sessions that it runs for senior managers and Audit and Governance Committee members, and through the specialist consultancy, advisory, healthcare, and anti-crime engagements that it undertakes. MIAA's proactive approach to dealing with the COVID-19 pandemic which resulted in a large proportion of the their workforce being seconded to their clients and help them manage the huge demand on their resources, and the series of risk awareness briefings that they produced for clients

to help them manage the extraordinary risk thrown up by the pandemic have been much appreciated by their clients.

The clear indication from this EQA is that MIAA conforms to performance standard 2100.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.

As mentioned in section two of this report, MIAA has comprehensive internal audit, anti-fraud and quality assurance manuals, supervision and quality assurance processes in place that covers engagement planning in detail and meets the requirements of the PSIAS. During this EQA, we selected a small sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and MIAA’s own procedures, and therefore we conclude that MIAA conforms to performance standard 2200.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

MIAA’s comprehensive internal audit manual and quality procedures, together with their supervision and quality assurance processes, meet the requirements of the standards. We selected a small sample of completed audit engagements from different clients and examined them to see if they conformed to the standards. We found that they all conformed to the standards and MIAA’s own processes, and therefore we conclude that MIAA conforms to performance standard 2300.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.

The comprehensive internal audit manual and associated procedures, together with the supervision and quality assurance processes (referred to in section two of this report) cover the communication of results in detail and meet the requirements of the PSIAS. We selected a small sample of completed audit engagements and examined them to see if they conformed to the standards. We found that they all conformed to the standards and MIAA’s own processes. We also reviewed the progress and annual reports to management and the Audit Committees for a small sample of their clients and found these also conformed to the standards and MIAA’s own internal procedures. We therefore conclude that MIAA conforms to performance standard 2400.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place at all of MIAA’s clients, the objective of which is to monitor the client’s progress towards the implementation of

agreed actions. The results of the follow-up reviews are reported to the relevant Audit Committees and senior management teams. From this EQA, it is evident that MIAA conforms to performance standard 2500.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Managing Director has concluded that a client's management has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any during this EQA although there are processes in place should such a scenario arise. From this EQA, it is evident that MIAA conforms to performance standard 2600.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

8. Issues for management action

8.1 It is our conclusion that MIAA conforms to the PSIAS. We have however identified two low priority minor issues for management to consider which, if implemented, will strengthen this

We have also identified some potential opportunities for MIAA to enhance their procedures and the effectiveness of the services they provide to their clients. We have made some suggestions for management to consider however these are all advisory.

8.2 The current audit report format for all of MIAA's clients includes a brief statement in the 'Acknowledgements and Further Information' section on the use of the audit reports. Consideration should be given to expanding this statement to include a statement on limiting the distribution and use of the report and its content. It is good practice to include such a statement in audit reports as it acts as a warning to readers not to release reports to third parties before they enter the public domain through the agreed distribution channels. Such a statement may also deter readers from extracting parts of the report and using it out of context to satisfy their own agendas.

MIAA's management have accepted this action. *"Audit reports are currently being updated and will incorporate a brief statement on limiting the distribution and use of the report and its content"*. This will be in place from the 1st April 2021.

8.3 As this EQA confirms that MIAA conforms to the PSIAS, the statement 'Conforms with the International Standards for the Professional Practice of Internal Auditing' can be added to the individual audit reports, and we therefore suggest that consideration is given to adding such a statement to them. A similar, although not identical, statement is already included in the annual report.

8.4 MIAA includes a table in section 6.1 of the Head of Internal Audits annual report and opinion to demonstrate to the reader how MIAA conforms to each of the standards. It is good practice to include a specific statement that there have been no impediments to MIAA's independence and objectivity for the year covered by the annual report. We feel management should consider expanding the wording used for standard 1100 'Independence and Objectivity' to include such a statement.

MIAA's management have accepted this action. *"We are happy to include the proposed wording amendment in the annual report"*. This will be in place from the 1st April 2021.

- 8.5 All of MIAA's employees are required to complete and sign an annual declaration of independence that also includes a statement to confirm that the employee has read and understood the requirements placed upon them by the standards. This is common throughout the public sector; however, many public sector internal audit services are now expanding these declarations to include a statement that the employee has read and understood the Seven Principles of Public Life. It is suggested that MIAA's management consider adding this to the declaration at the next revision.

MIAA's management have accepted this action. This will be in place from the 1st April 2021.

- 8.6 MIAA uses the IDEA application as its primary computer assisted audit techniques (CAATs) tool and they have employees that are trained in the use of this application. Whilst CIPFA does not endorse the use of IDEA or any other third-party software applications, we feel there may be opportunities for MIAA to enhance the use of their data analytics offering for clients by considering obtaining the add-on applications that are available for IDEA v10. The first application to consider is 'SmartAnalyser' which is a suite of pre-written test scripts covering the core financial, inventory and HR systems found in most organisations. The second application may be of benefit if any of MIAA's clients are running Unix based applications and this is 'Unix Security Auditor'. This application can be used to test the security rules set within the password, shadow, group and file/directory listing in Unix boxes.

MIAA's management have accepted this action. This will be in place from the 1st April 2021.

- 8.7 MIAA has a comprehensive range of policies, procedures and guides in place for its staff to use, however we noted during this EQA that some of these documents, for example the 'audit Staff Development Programme' and the 'Opportunity Framework' were issued in 2016 and do not include any information relating to version control and date of review. It is suggested that when these (and any other) documents are next reviewed, a section on version control and review dates is included in each one, to bring them into line with MIAA's other documents and ensure that staff are always referring to the latest version.

MIAA's management have accepted this action. This will be in place from the 1st April 2021.

- 8.8 A summary of the agreed actions to address the above issues together with management responses, is included at the end of this report.

9. Action Plan

1. Statement limiting distribution and use of audit reports (Low priority)	
Rationale	Agreed Action
The current audit report format for all of MIAA's clients includes a brief statement in the 'Acknowledgements and Further Information' section on the use of the audit reports. Consideration should be given to expanding this statement to include a statement on limiting the distribution and use of the report and its content. It is good practice to include such a statement in audit reports as it acts as a warning to readers not to release reports to third parties before they enter the public domain through the agreed distribution channels. Such a statement may also deter readers from extracting parts of the report and using it out of context to satisfy their own agendas.	Action accepted. Audit reports are currently being updated and will incorporate a brief statement on limiting the distribution and use of the report and its content.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

2. Conforms to the IPPF statement (Low priority)	
Rationale	Agreed Action
As this EQA confirms that MIAA conforms to the PSIAS, the statement 'Conforms with the International Standards for the Professional Practice of Internal Auditing' can be added to the individual audit reports, and we therefore suggest that consideration is given to adding such a statement to them. A similar, although not identical, statement is already included in the annual report.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

3. Expand the statement on Independence and Objectivity (Advisory)	
Rationale	Agreed Action
MIAA includes a table in section 6.1 of the Head of Internal Audits annual report and opinion to demonstrate to the reader how MIAA conforms to each of the standards. It is good practice to include a specific statement that there have been no impediments to MIAA's independence and objectivity for the year covered by the annual report. We feel management should consider expanding the wording used for standard 1100 'Independence and Objectivity' to include such a statement.	We are happy to include the proposed wording amendment in the annual report.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

4. Enhancement of the annual declaration of independence (Advisory)	
Rationale	Agreed Action
All MIAA's employees are required to complete and sign an annual declaration of independence that also includes a statement to confirm that the employee has read and understood the requirements placed upon them by the standards. This is common throughout the public sector; however, many public sector internal audit services are now expanding these declarations to include a statement that the employee has read and understood the Seven Principles of Public Life. It is suggested that MIAA's management consider adding this to the declaration at the next revision.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

5. Enhance use of IDEA (Advisory)	
Rationale	Agreed Action
MIAA uses the IDEA application as its primary computer assisted audit techniques (CAATs) tool and they have employees that are trained in the use of this application. Whilst CIPFA does not endorse the use of IDEA or any other third-party software applications, we feel there may be opportunities for MIAA to enhance the use of their data analytics offering for clients by considering obtaining the add-on applications that are available for IDEA v10. The first application to consider is 'SmartAnalyser' which is a suite of pre-written test scripts covering the core financial, inventory and HR systems found in most organisations. The second application may be of benefit if any of MIAA's clients are running Unix based applications and this is 'Unix Security Auditor'. This application can be used to test the security rules set within the password, shadow, group and file/directory listing in Unix boxes.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

6. Document revisions and version control (Advisory)	
Rationale	Agreed Action
MIAA has a comprehensive range of policies, procedures and guides in place for its staff to use, however we noted during this EQA that some of these documents, for example the 'audit Staff Development Programme' and the 'Opportunity Framework' were issued in 2016 and do not include any information relating to version control and date of review. It is suggested that when these (and any other) documents are next reviewed, a section on version control and review dates is included in each one, to bring them into line with MIAA's other documents and ensure that staff are always referring to the latest version.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

10. Definitions

Fully Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Managing Director and Head of Internal Audit, the Deputy Heads of Audit, Audit Managers, and the Business Support Unit at MIAA in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to chairs of Audit Committees and the Finance Directors from MIAA's clients that made themselves available for interview during the EQA process and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

14th November 2020

11. Disclaimer

This report has been prepared by CIPFA at the request of the Management Board of MIAA, and MIAA's Managing Director, the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Management Board of MIAA, and MIAA's Managing Director, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Appendix A

Summary of Survey Results

As part of the EQA process, CIPFA used a questionnaire to obtain the views of the key stakeholders from all of MIAA's clients. The questionnaire was sent to the Heads of Finance and audit committee chairs of each client and forty-three completed questionnaires were returned.

As can be seen from the table below, the majority of MIAA's clients have a positive view of MIAA and the service they receive. On the whole clients felt that the staff were knowledgeable and personable, and their organisations treated MIAA as a valued partner. It was clear from the survey responses that clients valued the proactive approach taken by MIAA to support them through the first wave of the COVID-19 pandemic, in particular the flexible use of their staff resources and the range of briefings and guidance MIAA produced on managing the key risks during the pandemic.

Whilst the overall response to the survey is positive, there are a few responses where the organisation felt the question did not fully apply to them, and this has led to them recording a 'partially agree' or 'do not agree' response. However, where they appear to require a deeper understanding of the client's response, MIAA are liaising with the respective clients to obtain a better understanding of their issues.

No.	Question	Percentage %			
		Agree	Partially Agree	Do Not Agree	N/A
1	The internal audit service is seen as a key strategic partner throughout the organisation.	81.40	18.60	0.00	0.00
2	Senior managers understand and fully support the work of internal audit.	83.72	16.28	0.00	0.00
3	Internal audit is valued throughout the organisation.	72.09	27.01	0.00	0.00
4	The internal audit service is delivered with professionalism at all times.	97.67	2.33	0.00	0.00
5	The internal audit service responds quickly to changes within the organisation.	86.05	13.95	0.00	0.00
6	The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.	93.02	6.98	0.00	0.00
7	The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	76.74	23.26	0.00	0.00

No.	Question	Percentage %			
		Agree	Partially Agree	Do Not Agree	N/A
8	The internal audit service's recommendations consider the wider impact on the organisation	81.40	18.60	0.00	0.00
9	The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified.	88.37	11.63	0.00	0.00
10	There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service	97.67	2.03	0.00	0.00
11	The internal audit service includes consideration of all risk areas in its work programme.	88.37	11.63	0.00	0.00
12	Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation.	95.35	4.65	0.00	0.00
13	Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control.	72.09	27.91	0.00	0.00
14	The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas.	62.79	34.88	0.00	2.33
15	The internal audit service raises significant control issues at an appropriate level and time in the organisation.	95.35	2.33	0.00	2.33
16	The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.	74.72	23.26	2.33	0.00

		Percentage %			
No.	Question	Agree	Partially Agree	Do Not Agree	N/A
17	Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	74.72	23.26	2.33	0.00
18	Internal audit activity promotes appropriate ethics and values within the organisation	79.07	18.60	0.00	2.33

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	15 JULY 2021	8
REVISED INTERNAL AUDIT PLAN 2021 22			

PUBLIC ITEM

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

SUMMARY

A revised 2021/22 Internal Audit Plan has been compiled in consultation with Directors and Heads of Service following a detailed risk assessment. The approach ensures compliance with the Public Sector Internal Audit Standards (PSIAS) to produce a Head of Internal Audit Opinion.

RECOMMENDATION

That the Committee approves the revised Internal Audit Plan 2021/2022.

SUMMARY OF PREVIOUS DECISIONS

[Audit and Standards Committee - 18 March 2021](#)

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

THE ROLES OF MANAGEMENT AND INTERNAL AUDIT

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

AUDIT PLAN

3. The revised 2021/22 Internal Audit Plan contains the programme of reviews for the current financial year and is shown at Appendix 1. This has been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Corporate Plan and Strategic Risk Register. There has also been extensive consultation within each service which has taken an overview of audit requirements.
4. The following paragraphs summarise the areas that will be subject to audit coverage in 2021/22:

Management and Control

- Head of Internal Audit Opinion & Annual Report and Annual Governance Statement (2020/21 and 2021/22)
- 22/23 Audit Plan/Blackpool Liaison/QA papers/KPIs
- Corporate Governance Group
- Committee Reporting and Attendance
- Lancashire Head of Audit Group Attendance/EA liaison
- Briefings

Risk based reviews of the following systems:

- Health and Safety
- Project Management Framework
- Parks and Refuge – Asset Disposals
- Data Sharing Protocols
- Risk management
- Housing Benefit
- Treasury Management
- NNDR & Council Tax
- Key Financial Controls
- Third Party Assurance
- Cyber Security
- Properties Repairs and Maintenance
- Section 106 grants
- Disabled Facilities Grants

General Areas

- COVID support – providing post assurance on business support grants.
- Following up management actions agreed in earlier audit reports.
- Responding to requests from management for unplanned reviews / investigations.

The reviews removed from the plan are set out in section 2 of the attached report. These reviews are not prioritised for Internal Audit coverage for 2021/22 but will be kept under review and also considered as part of the risk assessment for the 2022/23 plan.

AUDIT DAYS

5. The Internal Audit Plan for 2021/22 is based on a resource of **299 audit days** which is a reduction from the 400 days previously agreed.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications from this report; however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	No implications.
Human Rights and Equalities	No implications.
Sustainability and Environmental Impact	No implications.
Health & Safety and Risk Management	No implications.

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	Tracy.manning@fylde.gov.uk Tel 01253 658521	June 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Risk Assessment	June 2021	Internal Audit Office, Town Hall

Attached documents
Appendix 1 – Revised Internal Audit Plan



Fylde Borough Council Revised Internal Audit Plan – 2021/2022

Contents



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[@MIAANHS](https://twitter.com/MIAANHS)

1. Introduction
2. Changes to the plan

Appendix A: Operational Internal Audit Plan 2021/2022

MIAA Assurance - provision of cost effective assurance (governance, risk and control) Insight (advice and best practice) and foresight (supporting clients on up and coming issues).

These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.

1 Introduction

Your Audit Service - Head of Internal Audit Opinion

We recognise the scale at which local government organisations in England, have been impacted by COVID-19. However professional and regulatory expectations remain and the Head of Internal Audit is required to provide an annual Head of Internal Audit Opinion (HOIAO) that informs the Council's Annual Governance Statement.

We have revisited the original 2021/22 risk based plan produced by the previous Head of Internal Audit to reflect revised priorities and a changing risk assessment. Audit reviews removed from and added to the plan are set out in Section 2. The revised updated plan is included in Appendix A. Audit and Standards Committee approval is requested for the amendments to the original plan.

Revised Days

Since the original contract was agreed at the March 2021 Audit and Standards Committee meeting the remaining member of the in-house team has resigned. MIAA has been asked to deliver the revised full plan. Overall the number of days required to deliver the plan has reduced from 400 to 299 days.

Your Team

Your team will be led by Sandra Cudlip, Engagement Lead and Fiona Hill, Engagement Manager. We can confirm sufficient resources, including specialist expertise have been established to deliver your service.

Your Audit Team



Sandra Cudlip
Engagement Lead
07879 487 555
Sandra.cudlip@miaa.nhs.uk



Fiona Hill
Engagement Manager
0782 559 2842
Fiona.hill@miaa.nhs.uk

2 Changes to the 2021/22 plan

The following changes to the audit plan are proposed:

Reviews added
Resources <ul style="list-style-type: none"> • Vehicle and Equipment Disposals • NNDR and Council Tax • Key Financial Controls including main accounting • Third Party Assurance • Cyber Security
General Areas <ul style="list-style-type: none"> • HOIAO support 2021/22

Reviews removed/reduced scope	
Corporate Areas <ul style="list-style-type: none"> • Anti Fraud and Corruption • NFI 	Resources <ul style="list-style-type: none"> • Stores Stocks (Bins and FMS Stock)
Development Services <ul style="list-style-type: none"> • Externally managed events • Bereavement Services • Fairhaven (HLF Project) • Fairhaven Adventure Golf • Sea Defence Project • Kirkham Town Centre Regeneration 	General Areas <ul style="list-style-type: none"> • COVID Support (reduced scope) • PSIAS Peer Review • Internal Audit Effectiveness Review • GRACE administrator role • Audit Committee training
Finance <ul style="list-style-type: none"> • Capital programme 	

Appendix A – Operational Internal Audit Plan 2021/22

Review and outline scope	Planned Days	Planned Delivery
Corporate Services		
Health & Safety – to carry out a compliance review to identify whether key controls are operating effectively – <i>areas of focus TBC</i>	15	Q1 (was Q2)
Project Management Framework - to provide assurance on the adequacy and effectiveness of controls to address the risk of project failure, focussing on the Kirkham Regeneration Project	15	Q3 (was Q4)
Resources		
Health & Environment		
Fleet & Depot		
Refuse and Parks – Vehicle and Equipment Disposals - to identify and evaluate the controls in place to manage key risks which would affect the effective operation of the organisation’s system for vehicle and equipment asset disposals	15	Q1
Governance		
Data Sharing Protocols - to provide assurance that systems and processes are established and operated to identify and manage risks in relation to compliance with the data sharing principles of the General Data Protection Regulation (GDPR), Data Protection Act 2018	15	Q3 (was Q2)
Risk Management - to provide assurance on the effectiveness of the Council’s risk management arrangements with a focus on the embeddedness across the Council	15	Q2 (was Q4)
Finance & Service Support		
Housing Benefits - to evaluate whether the system for benefit payments aligns to the appropriate regulations, are processed timely, supported by detailed evidence, and recouped when necessary	15	Q2
Finance		
Treasury Management - to provide assurance that the Treasury Management Function is operating effectively to manage the cash flow requirements of the Council	15	Q3
NNDR & Council Tax - to evaluate the effectiveness of the processes in place for Council Tax and NNDR collection	15	Q4
Key Financial Controls -to provide assurance that the most significant key financial controls are appropriately designed and operating effectively in practice including main accounting	15	Q4
Third Party Assurance -to evaluate the arrangements in place to monitor performance in respect of functions carried out by Blackpool Council	15	Q3
ICT		
Cyber Security -to assess the effectiveness of the Council's cyber defence framework	15	Q3
Technical Services		
Property, Repairs and Maintenance – to provide assurance that repairs and maintenance activities for Council owned properties are adequately controlled and managed.	15	Q3

Appendix A – Revised Operational Internal Audit Plan 2021/22 - continued

Review	Planned Days	Planned Delivery
Disabled Facilities Grants - to provide assurance that the monies claimed can be supported by documentary evidence and have followed due process	15	Q3 (was Q1)
S106 - to provide assurance that 106 obligations are enforced and met	15	Q2
Follow Up, Contingency		
Follow Up	10	Quarterly
Contingency	5	As required
Management & Control		
Head of Internal Audit Opinion & Annual Report and Annual Governance Statement (2020/21 and 2021/22)	19	Q1 and Q4
COVID Support	15	TBC
Planning & Management - 22/23 Audit Plan/Blackpool Liaison/QA Papers/KPIs	10	Q1 – Q4
Reporting & Meetings - Committee Reporting and Attendance	16	
- Corporate Governance Group	6	
- Attendance at Lancashire Head of Audit Group/Liaison EA	3	Q1 – Q4
- Briefings	5	
TOTALDAYS	299	

The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit and Standards Committee



DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	15 JULY 2021	9
INTERNAL AUDIT ANNUAL REPORT AND HEAD OF INTERNAL AUDIT OPINION 2020/21			

PUBLIC ITEM

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

SUMMARY

The purpose of this report is to summarise the work undertaken by the Internal Audit Service during 2020/21 and to give a Head of Internal Audit Opinion (HOIAO) as required by the Public Sector Internal Audit Standards (PSIAS) on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

MIAA has supported the Council BC to provide this opinion on behalf of the organisation in full compliance with the PSIAS.

RECOMMENDATION

That the Committee notes the contents of the report.

SUMMARY OF PREVIOUS DECISIONS

None.

CORPORATE PRIORITIES

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

THE ROLE OF INTERNAL AUDIT

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

OVERALL OPINION

2. The Public Sector Internal Audit Standards require the Head of Audit to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. This opinion is based upon the work undertaken by the Internal Audit Service throughout the year and external assurance providers. The Head of Internal Audit provided by MIAA on behalf of the Council is attached.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	This report supports the Audit and Standards Committee in undertaking its role which includes providing independent oversight of the adequacy of the council's framework of governance, risk and control

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	tracy.manning@fylde.gov.uk Tel 01253 658521	June 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 – Internal Audit Annual Report and Head of Internal Audit Opinion 2020/21

Internal Audit Annual Report & Head of Internal Audit Opinion 2020/21

Prepared on behalf of Fylde Borough Council

Contents

- 1 Foreword and context
- 2 Executive Summary
- 3 Head of Internal Audit Opinion
- 4 Internal Audit Coverage and Outputs
- 5 Areas for consideration - your Annual Governance Statement
- 6 Ensuring Quality

1 Foreword and context

The impact of COVID-19 on all public services has been considerable and for internal auditors it has raised the question of whether they will be able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirements of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that you rely on for your annual governance statement.

Whilst the considerable challenges and pressures you have faced this year are fully recognised, the professional and regulatory expectations on public sector organisations to ensure that their internal audit arrangements conform with the PSIAS have not changed. Recognising the impact of COVID-19 on all public services, CIPFA provided guidance in November 2020 to address the risk of a limitations of scope for the Head of Internal Audit where it has not been possible to achieve sufficient assurance in conformance with the PSIAS.

In addition to the COVID-19 pressures faced in the year the Head of Internal Audit left the Council in February 2021. There was a member of the internal audit team in post and the Director of Resources acted as the Chief Audit Executive until the appointment of MIAA on 15 March 2021 to fulfil the Head of Internal Audit role. MIAA have been appointed to provide internal audit services for 2021/22 and were requested to support the Council in providing a Head of Internal Audit Opinion for 2020/21.

Individual audit reviews included within this opinion have been completed by staff from Fylde Council and MIAA under a separate contract for two technology risk assurance reviews. The Council has a shared Corporate Fraud Team with Preston City Council and there is regular reporting on the Team's work to the Audit and Standards Committee.

During 2020/21 MIAA had an independent External Quality Assessment undertaken by CIPFA which concluded that we fully complied with all aspects of the PSIAS. For 2020/21 it has been confirmed to us that Fylde Council staff operated in line with the PSIAS in delivering their work.

Due to the impact of COVID-19 and government restrictions introduced from March 2020 internal audit reviews were carried out remotely.

This Opinion has been provided by MIAA on behalf of Fylde Borough Council.

We would like to take this opportunity to thank the Audit & Standards Committee and all the staff at the Council for their support during the time we have been working with you.

Steve Connor

Managing Director, MIAA

On behalf of Fylde Borough Council
June 2021

2 Executive Summary

The purpose of this Head of Internal Audit Opinion (HOIAO) is to contribute to the assurances available to the Accountable Officer and the Council which underpin the organisation’s own assessment of the effectiveness of the organisation’s system of internal control. **MIAA has produced this opinion on behalf of the Council** to assist the Council in the completion of its Annual Governance Statement (AGS).

This opinion is provided in the context that the Council like other organisations has faced unprecedented challenges due to COVID-19.

This annual report has been produced by MIAA on behalf of the Council and provides the 2020/21 Head of Internal Audit Opinion for Fylde Borough Council, together with the planned internal audit coverage and outputs during 2020/21.

Key Area	Summary
<p>Head of Internal Audit Opinion & the Role of Internal Audit During the Pandemic</p>	<p>The HOIAO on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control is moderate, that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation’s objectives at risk.</p> <p>The Head of Internal Audit has obtained insufficient assurance across a significant subset of risk or areas of operation that are material.</p> <p>Limitations to the scope</p> <p>The HOIAO opinion however excludes, main accounting, housing benefits, council tax and business rates, third party assurance from external providers and key financial systems as there is insufficient assurance available for the HOIAO to offer reasonable assurance.</p> <p>The limitations of scope have arisen because Council internal audit staff have been redeployed to meet critical business needs. In addition, management made the decision to use available staff to address the priorities arising from the pandemic and avoid placing additional demands on staff to complete internal audits.</p> <p>To avoid similar limitations in future, the Council has increased internal audit capacity and strengthened its resilience by procuring MIAA to provide the internal audit service and deliver a risk based plan during 2021/22 to fulfil the requirements of the PSIAS. Gaps in audit coverage in 2020/21 have been considered as part of the 2021/22 risk assessment and planning process.</p> <p>In addition, the Council senior leadership team has committed to ensure staff are available to support internal audit to complete sufficient work to provide an opinion. There will be regular reporting and monitoring to senior management and the Audit and Standards Committee to ensure the achievement of the plan is on track. This action is recorded in the Corporate Governance Action Plan.</p> <p>MIAA has supported Fylde BC to provide this opinion on behalf of the organisation in full compliance with the PSIAS.</p>

<p>Internal Audit Coverage and Outputs (including reliance on other assurance providers)</p>	<p>A revised risk based 2020/21 Internal Audit Plan was approved by the Audit and Standards Committee in July 2020 with the focus on the provision of your Head of Internal Audit Opinion. Recognising the continued impact of COVID-19 on the organisation a further risk based revised approach was agreed at the Committee meeting in November 2020. It has not been possible to deliver the revised plan and achieve sufficient assurance across a significant subset of areas of operation that are material and this has resulted in a limitation of scope opinion.</p> <p>The Internal Audit Standards Advisory Board (IASAB) issued guidance regarding conformance with the Public Sector Internal Audit Standards (PSIAS) during the coronavirus pandemic (May 2020). The IASAB recognised that during 2020/21 Internal Audit would fulfil its mission in a different way and that evidence supporting the overall audit opinion is different to what would be expected under normal circumstances. As part of our assessment of the HOIAO we took account of the following:</p> <ul style="list-style-type: none"> • Internal audit work completed in year by the in-house team • Other sources of assurance including external audit conclusions from the 2019/20 audit of accounts; internal audit assignments completed by MIAA and completion of Governance Assurance Statements by Heads of Service in May 2021 • Cumulative audit knowledge and experience of the former Head of Internal Audit shared with us • Self-assessment against the CIPFA Solace Framework reported to the Audit and Standards Committee in July 2020 • Progress with implementing the corporate governance action plan and with implementing recommendations from audit reports containing limited opinion assessment • Operation of high level risk management controls during 2020/21 including action taken to implement recommendations from the review of risk management in 2019/20 • Agreement of pre and post assurance plans for each Government COVID-19 business grant <p>Other than specific work on follow up and MIAA completed reviews we have not tested the other sources of assurance referenced above.</p> <p>Therefore, review coverage has been focused on:</p> <ul style="list-style-type: none"> • The organisation’s Assurance Framework • Core reviews, including follow up • A range of individual risk based assurance reviews <p><i>Please include the summary text in the table above when referring to the Head of Internal Audit Opinion in your Annual Governance Statement.</i></p>
<p>Quality of Service Indicators</p>	<p>The Council’s Head of Internal Audit completed a self-assessment against the PSIAS in June 2020 and reported overall compliance with the PSIAS to the Audit and Standards Committee. There were two actions arising from the self-assessment where action is underway.</p>

MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA's full compliance with the Public Sector Internal Audit Standards.

3 Head of Internal Audit Opinion

3.1 Roles and responsibilities

The whole Council is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accountable Officer, on behalf of the Council, setting out:

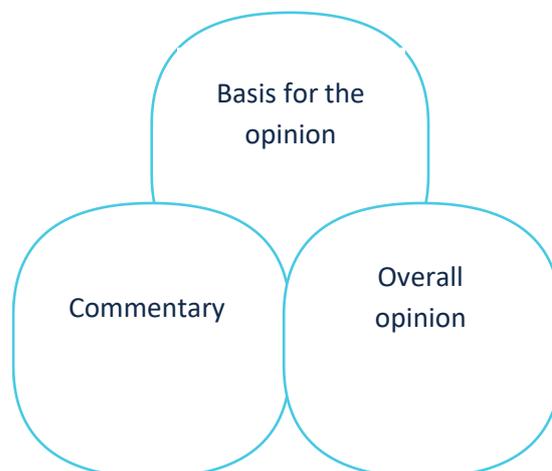
- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (HIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes (i.e. the organisation’s system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Standards Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 3.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived, and produced on behalf of the Council, from the conduct of work undertaken by the Council’s in-house internal audit team and MIAA. Section 5 details the internal audit coverage.

3.2 Opinion

Our opinion is set out as follows:



3.2.1 Basis

The basis for forming our opinion is as follows:

Basis for the opinion

- 1 An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes.
- 2 An assessment of the range of individual assurances arising from the risk-based internal audit assignments that have been reported throughout the period; undertaken by both the in-house Internal Audit Team and MIAA. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
- 3 An assessment of the organisation’s response to Internal Audit recommendations, and the extent to which they have been implemented.

3.2.2 Overall Opinion

Our overall opinion provided on behalf of Fylde Borough Council for the period 1st April 2020 to 31st March 2021 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation’s objectives, and that controls are consistently applied in all areas reviewed.	
Substantial Assurance, can be given that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.	
<p>Moderate Assurance, can be given that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation’s objectives at risk.</p> <p>The Head of Internal Audit has obtained insufficient assurance across a significant subset of risk or areas of operation that are material.</p> <p>Limitations to the scope</p> <p>The opinion however excludes, main accounting, housing benefits, council tax and business rates, third party assurance from external providers and key financial systems as there is insufficient assurance available for the HOIAO to offer reasonable assurance</p>	✓
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.	
No Assurance, can be given that there is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the organisation’s objectives.	

3.3.3 Commentary

The commentary below provides the context for the opinion provided on behalf of the council and together with the opinion, should be read in its entirety.

The opinion covers the period 1st April 2020 to 31st March 2021 inclusive and is underpinned by the work conducted through the risk based internal audit plan.

Assurance Framework

The Council approved a revised Risk Management Strategy in September 2020 to reflect the changes in arrangements and the implementation of the GRACE (Governance, Risk and Control Evaluation) system in 2019/20. The Council will need to update the Risk Management Strategy to reflect the change in role of the Head of Internal Audit and the new lead Risk Officer. Our work has been limited to:

- Assessing progress with implementing the recommendations from the independent review of risk management that was completed in 2019/20 and provided moderate assurance.
- Confirming that the Strategic Risk Management Group has met during the year and that there is a strategic risk register in place.

Work is ongoing to embed risk management across the Council , including providing support to Heads of Service to fully utilise GRACE and this will be an area of focus for our review of risk management in 2021/22.

The Council updated the Code of Corporate Governance in the year and this was approved by the Audit and Standards Committee in September 2020. Action has been taken to address a number of areas requiring action from the 2019/20 Corporate Governance Action Plan. The Corporate Governance Action Plan has also been updated with new issues identified during the year. The Corporate Governance Group will continue to monitor progress with implementing actions during 2021/22.

Core & Risk Based Reviews Issued

The following opinions were issued by the Fylde Borough Council In- house Team (FBC) and MIAA. Four of these reviews were from the 2019/20 Internal Audit Plan but were not reported as part of the 2019/20 Head of Internal Audit Opinion. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews

1 full assurance opinion:	Lytham Hall Driveway – FBC
5 substantial assurance opinions:	Contracts Procurement Rules - FBC (2019/20) Development Management – FBC (2019/20) Car Parking – FBC Express Election System – MIAA User Privilege Access Management – MIAA (2019/20)
1 moderate assurance opinion:	Payroll – FBC (2019/20)
1 limited assurance opinion:	Equipment Inventory - FBC

0 no assurance opinions:	N/A
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Follow Up

We have undertaken a follow up review of progress with recommendations relating to limited opinion reviews and can conclude that the organisation has made **limited** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

In total have **42** recommendations were raised as part of the reviews undertaken or reported during 2020/21. All recommendations raised have been accepted by management.

Fylde Borough Council internal audit team did not prioritise recommendations. Of the recommendations raised by MIAA none were rated as critical and or high risk recommendations

In providing this opinion on behalf of Fylde Borough Council, I can confirm MIAA's continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. I also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.

Steve Connor

Managing Director, MIAA

On behalf of Fylde Borough Council

June 2021

4 Internal Audit Coverage and Outputs

The majority of reviews from the 2020/21 Internal Audit Plan have been delivered by the Council's in-house Internal Audit function, with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress report in November 2020.

Of the reviews completed in the year, assurance ratings were given in eight cases. Four of these reviews were from the 2019/20 Internal Audit Plan but were not reported as part of the 2019/20 Head of Internal Audit Opinion. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit & Standards Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
Council's IA Function							
1	Payroll (2019/20)	Moderate					8*
2	Contracts Procurement Rules (2019/20)	Substantial					5*
3	Development Management (2019/20)	Substantial					6*
4	Car Parking	Substantial					5*
5	Equipment Inventory	Limited					9*
6	Lytham Hall Driveway	Full					0
MIAA							
7	Express Election System	Substantial			4		4
8	User Privilege Access Management (2019/20)	Substantial			4	1	5
		TOTAL					42

* *The recommendations raised as part of this review were not risk rated.*

All recommendations raised were accepted by management. We will continue to follow up progress against all recommendations as part of the 2021/22 Internal Audit Plan.

5 Areas for consideration – your Annual Governance Statement

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.

We have identified a number of other strategic challenges that should be considered by the Governing Body when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the CCG reflects more widely on how these should be factored into the AGS. Areas for consideration include:

- Wider partnership/ collaborative working and engagement across the Lancashire Footprint.
- Continued establishment and delivery of cross-organisation arrangements for the Better Care Fund and other pooled budgets development (e.g. Education, Lancashire County Council)
- Impact of the revised financial regime on decision making, achieving financial duties, ongoing financial viability, delivery of savings, service pressures and key relationships/ performance of third parties.
- Changes to governance, risk management and internal control arrangements due to the ongoing COVID-19 response and the functioning of emergency responses structures (including the impact on decision making processes).
- Impact of the COVID-19 response on the ongoing delivery of services and compliance with legislative and regulatory requirements (e.g UK Corporate Governance Code). Maintenance and improvement of the quality of services alongside and overall organisation performance, including the delivery of targets.
- Council leadership, including any significant changes to the Council and Senior Management Team
- Workforce capacity, engagement, wellbeing and development.
- Ensuring there is a fit for purpose infrastructure.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Relationship and management of 3rd party providers upon which the organisation places reliance, and the provision of assurances from these (e.g. Blackpool Council).

6 Ensuring Quality

6.1 Professional Standards and Accreditations

In-house Internal Audit Function

The Council's Internal Audit Service operated between the 1st April 2020 and 31 March 2021. The Head of Internal Audit completed a self-assessment against the PSIAS in June 2020 and reported overall compliance with the PSIAS to the Audit and Standards Committee. There were two actions arising from the self-assessment.

MIAA

MIAA's strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with Public Sector Internal Audit Standards, the quality of our people and outcome measures.

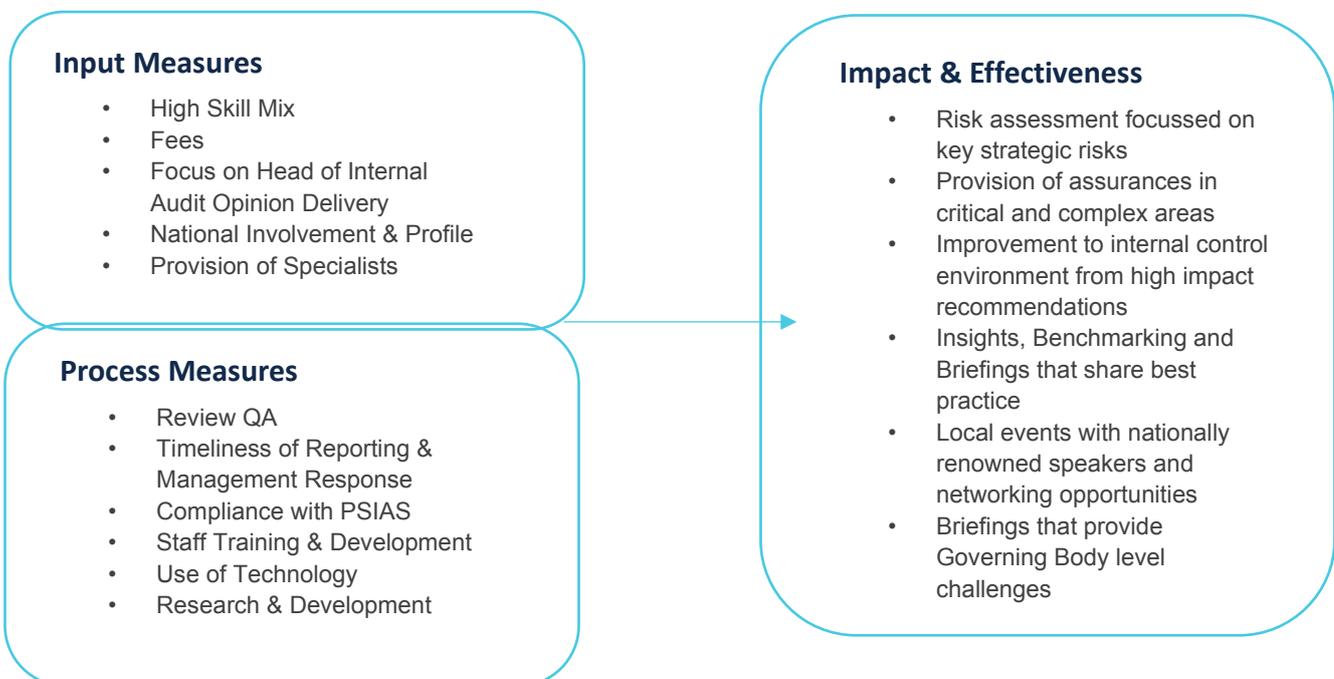
MIAA comply fully with professional best practice, internal audit standards and legal requirements. We assess our compliance with the Public Sector Internal Audit Standards (PSIAS) each year.

6.2 Service delivery and outcome measures

The Council internal audit team has agreed a number of quality assurance indicators and reports these to the Accounts and Audit Committee, including audit resource and delivered audits.

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service.

The figure below confirms the measures that MIAA believe demonstrate an effective service to you.



Steve Connor

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Louise Cobain

Assurance Director

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DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	15 JULY 2021	10
ANNUAL GOVERNANCE STATEMENT			

PUBLIC ITEM

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

SUMMARY

The report presents the Annual Governance Statement prepared under the CIPFA/SOLACE framework, the local code of corporate governance, for approval. It also provides a position statement with respect to completed actions identified within the last governance statement.

RECOMMENDATION

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

SUMMARY OF PREVIOUS DECISIONS

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

CORPORATE PRIORITIES

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

REPORT

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

Summary of the local code

4. The CIPFA/SOLACE guidance quotes the following definition of governance from “International Framework: Good Governance in the Public Sector”: *“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”*. It continues: *“To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times...Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”*.
5. The council’s code is underpinned by the following seven core principles from the CIPFA/SOLACE guidance:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Developing the Council’s capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability
6. The Local Code describes the arrangements that have been or are being established within the Council to comply with the requirements. The code requires the Council to:
 - consider the extent to which it complies with the above seven core principles and requirements of good governance set out in the Framework.
 - identify systems, processes and documentation that provide evidence of compliance.
 - identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified.
 - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed.
 - Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
7. The Local Code was also updated in the Summer of 2020 with a report brought forward for consideration by this committee. The Corporate Governance Group, currently comprising the Monitoring Officer, Section 151 Officer, Head of Governance together with the Head of Internal Audit, has conducted a self-assessment of the council’s governance against this checklist.

Annual Governance Statement

8. The governance statement is attached to this report and is presented for approval by the committee. It will, if approved, be signed by the leader of the council and the chief executive.
9. An action plan is incorporated within the governance statement and progress reports will be brought to the committee during the forthcoming year. An action plan illustrating progress against the 2020/21 action plan is also attached.

IMPLICATIONS	
Finance	The Code of Corporate Governance is a key component of the council’s commitment to sound financial systems and practices. The Annual Governance Statement is an important requirement within the Code.

Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2015.
Community Safety	No implications
Human Rights and Equalities	No implications
Sustainability and Environmental Impact	No implications
Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance make clear.

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Manning	tracy.manning@fylde.gov.uk Tel 01253 658521	June 2021

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

Attached documents

Appendix 1 – Annual Governance Statement

Appendix 2 – 2020/21 Governance Action Plan

Executive Summary

Based on the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. 2020/21 was an unprecedented year and over the coming year we will address the matters contained in the statement below to strengthen our governance arrangements. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation throughout the year.

Signed on behalf of Fylde Borough Council

Councillor K Buckley
Leader of the Council

Allan Oldfield
Chief Executive

Governance Issues

As a result of the assessment of the effectiveness of governance within the council, the Corporate Governance Group has identified that a sound system of governance and risk management exists within the Authority. Commentary on internal control is captured within the Statement.

Following the assessment of the effectiveness of governance, during 2021/22, the Corporate Governance Group recommends that governance work should focus on the following:

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
Consider revised Code of Conduct drafted by the Local Government Association and bring forward a report for consideration by the Audit and Standards Committee/council	Tracy Manning (Director of Resources)	Initial summary report of the position was made to the Audit and Standards Committee at its meeting on 26 th November 2020. A further report was considered by the Audit and Standards Committee in May 2021 and it was resolved this would be the subject of a joint workshop between Blackpool and Fylde elected members and Independent Persons during the summer of 2021 to be reported back to the Audit and Standards Committee in the autumn of 2021. As a result this action was incorporated within the 2021/22 Corporate Governance Action Plan	In-progress	24 th September 2021
Project Management Framework – Compliance Guidance for Managers	Alex Scrivens (Corporate Services)	An internal review was currently taking place, this would be looking at the council's existing project management methodology. This was being managed by the newly appointed Senior Projects Manager, Charlie Richards. The goals would identify best practice and modernise the approach to our existing project frameworks, to be applied and consistent in all service areas. This action was transferred across from the 2020/21 Corporate Governance Action Plan	In-progress	31 st July 2021
GDPR – updating of key policies & procedures, provision of support & awareness raising to assist managers in meeting their compliance obligations	Ian Curtis (DPO) and Ben McCabe (Deputy DPO)	Work on Data Retention Policy was now underway and this action was transferred from the 2020/21 Corporate Governance Action Plan	In-progress	

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
<p>As a result of a recommended action by the Planning Advisory Service (PAS) Provide briefings on the Complaints Procedure and provide conflict resolution and customer care training for officers involved in complaint handling</p> <p>As a result of a recommendation by PAS consider a targeted Planning Peer Review by the Planning Advisory Service</p>	<p>Alex Scrivens (Corporate Team)</p> <p>Mark Evans (Head of Planning)</p>	<p>The Corporate Team had been unable to carry out this training in 2020/21 as a result of the demands the pandemic and the requirement to divert resources from the usual activities, and as a consequence this issue would be addressed during the course of 2021/22 (this action was carried forward from the 2020/21 Action Plan)</p> <p>Action carried forward from the 2020/21 Corporate Governance Action Plan. Action not completed in 2020/21 due to competing work pressures of both the Head of Planning and the wider Planning Team</p>	<p>On-going</p>	<p>31 March 2022</p>
<p>Core Competencies Review 'Fylde 2024' initiative</p>	<p>Kirstine Riding (Housing Manager)</p>	<p>The Fylde 2024 steering group have maintained and stored all information in relation to this initiative on a Fylde 2024 SharePoint site. There is an ambition to revisit this project once service delivery resumes outside of the exiting pandemic. This will involve a review of where we are at with the Greengage in the light of the changes to the work environment and culture of the organisation because of the pandemic (this action was carried forward from the 2020/21 Action Plan)</p>	<p>On-going</p>	<p>31 March 2022</p>

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
<p>Actions as a result of Covid-19 to consider the longer-term implications of agile working with a view to re-setting the culture and behaviours of the council</p>	<p>Alex Scrivens (Corporate Team)</p>	<p>The Corporate Team was about to embark on a survey of employees to seek feedback on key considerations in furthering work, communication, hours, and physical locations to enable staff to be as productive as possible no matter where, when or who they work with. This would build on the successful remote working which had been accelerated due to the pandemic. Any suggested refinements and improvements would be considered by the Head of Paid Service together with the relevant managers (this action was carried forward from the 2020/21 Action Plan)</p>	<p>In-progress</p>	<p>30th September 2021</p>
<p>Incorporate governance changes agreed by the council as a part of the Local Government Boundary Commission (LGBC) submission within the Constitution for formal approval and complete three-yearly Constitution Review</p>	<p>Tracy Manning</p>	<p>The principles of a revised governance framework had been agreed by the council as a part of the submission to the LGBC. These proposals would require incorporation into a revised version of the Constitution in preparedness for implementation post 2023 elections. This work would require to be instigated early in 2022 in readiness. The Constitution three-yearly review would also be incorporated at the same time. Both pieces of work would be taken forward by the Monitoring Officer in consultation with a periodic Constitution Review Working Group to be established at the Audit and Standards Committee at its 17 March 2022 meeting.</p>	<p>In-progress</p>	<p>17th March 2022</p>

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
Service planning	Tracy Manning Paul Walker	To complete service planning for the Resources and Development Services Directorates	In-progress	31 July 2021
Fraud awareness	Corporate Fraud Team	To undertake corporate fraud training for council staff to raise awareness for the potential for fraud and the systems in place for elevating and reporting any concerns	Outstanding	31 st October 2021
Health and safety	Corporate Health and Safety Team	To seek a review of compliance with the working time directive within operational teams and make any recommendations to managers thereon	Outstanding	31 st October 2021
Head of Internal Audit Opinion – Limitation of Scope	Tracy Manning (Director of Resources)	To take action to ensure sufficient internal audit work is undertaken to gain assurance during 2021/22 to issue a full Head of Internal Audit opinion.	In progress	31 March 2022

Scope of responsibility

Fylde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The council also has a duty under the Local Government Act 1999 to decide to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

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

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

The seven core principles are:

 Principle A: Integrity and values <ul style="list-style-type: none">• Staying true to our strong ethical values and standards of conduct• Respecting the rule of law• Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities• Ensuring fraud, corruption and abuse of position are dealt with effectively• Ensuring a safe environment to raise concerns and learning from our mistakes	 Principle D: Making a difference <ul style="list-style-type: none">• Having a clear vision and strategy setting out our intended outcome for citizens and service users
 Principle B: Openness and engagement <ul style="list-style-type: none">• Keeping relevant information open to the public and continuing their involvement• Consultation feedback from the public is used to support service and budget decision• Providing clear rationale for decision making - being explicit about risk, impact and benefits• Constructively challenging what we do and the decisions made	 Principle E: Capability <ul style="list-style-type: none">• Clear roles and responsibilities for council leadership• Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles• Evaluating councillor and officers' performance• Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning
 Principle C: Working together <ul style="list-style-type: none">• Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money• Being clear about expectations - working effectively together within the resources available• Developing constructive relationships with stakeholders• Having strong priority planning and performance management processes in place• Taking an active and planned approach to consult with the public• Regularly consult with employees and their representatives	 Principle F: Managing risk and performance <ul style="list-style-type: none">• Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units• Having well developed assurance arrangements in place - including any commercial activities• Having an effective Audit & Standards Committee• Effective counter fraud commitments in place
	 Principle G: Transparency & accountability <ul style="list-style-type: none">• Having rigorous and transparent decision making processes in place• Maintaining an effective scrutiny process• Publishing up to date and good quality information on our activities and decisions• Maintaining an effective internal and external audit function

Each local authority is required to conduct a review at least once a year on the effectiveness of the system of internal control and include a statement on such a review within its published Statement of Accounts. This annual governance statement is the culmination of this work and provides commentary on the 2020/21 financial year.

The purpose of the governance framework

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

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

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

The governance framework as outlined has been in place at the Fylde Borough Council for the municipal year ended 31 March 2021.

The governance environment

Principles

In 2017, the council adopted a code of corporate governance ("the Code") and recognises that effective governance is achieved through the core principles enshrined in it as outlined above. This framework establishes that the authority should ensure to keep under review the effectiveness of their governance arrangements and whether standards are being attained. A review of the core principles of the Code took place in the summer of 2020 with the Audit and Standards Committee subsequently endorsing the outcome of this review.

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

Constitution

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

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

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

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. During the year a review of the Terms of Reference of the council's Committees was undertaken. This resulted in some modifications to the remit of some of the council's Programme Committees. These changes were considered and endorsed by the Audit and Standards Committee and were subsequently agreed by the council.

During the year, the Local government Boundary Commission (LGBC) also commenced its review of both councillor numbers and warding arrangements. A cross-party Working Group of elected members was established in September 2020, with the responsibility of developing a proposal in relation to the number of council members going forward. A proposal for 37 members from 2023, together with a revision of the council's governance arrangements, was agreed by the Boundary Commission. It is anticipated that post 2023 local government elections to council's governance system will move to a structure of one over-arching policy committee, together with scrutiny and regulatory committees. In February of 2021, the Working Group re-convened to develop warding proposals based on 37 elected members, and these proposals have been submitted to the Boundary Commission. The outcome of the work to the LGBC will be known in autumn 2021. As a result, a piece of work will have to be commenced in 2022, to review the Constitution to formally put in place the changes to the governance system in readiness for 2023. This will also provide the opportunity for a three-yearly periodic review of the Constitution to take place.

Political structure

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

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

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

The council is engaged in other partnerships and these arrangements are subject to review on an ongoing basis, for example, the Community Safety Partnership. Its Terms of Reference has subject to review in 2020/21 with an annual report on its activities also prepared for scrutiny.

Although no longer a constituent member of the Lancashire Combined Authority or the Shadow Combined Authority, the council remains committed to working with all the Lancashire authorities to establish alternative options for working together on strategic regional initiatives. One such initiative

was developing an evidence base to support the vision and ambition established for Lancashire through the Greater Lancashire Plan (GLP). The emergency response to Covid-19 initially disrupted this work however commissions are now underway once more. The GLP focuses on health, skills and vibrant economy, infrastructure and sustainability of the environment and an inclusive and vibrant economy. The government's expected levelling up white paper may well bring about a future reorganisation of local government in Lancashire affecting Fylde Council.

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

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

All the council's work is aligned to its corporate priorities through its committee system. All reports identify how they align to one of the four priorities: economy; environment; efficiency and tourism.

The council's Audit and Standards Committee deals with conduct, ethics, propriety, and declarations of interest. It also oversees and determines complaints made against members under the Code of Conduct. During the year it has overseen the development of a complaints handling procedure for standards complaints. The council has access to a number of 'independent persons' who assist in upholding high standards. A recruitment for a new IP was undertaken during the year because of a vacant position, with the appointment being endorsed by the council. These individuals have worked closely with the Monitoring Officer throughout the year to ensure that high standards of behaviour are maintained.

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

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

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

Officer structure

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

The Chief Executive

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

Monitoring Officer

The council has designated its Director of Resources as Monitoring Officer. The Monitoring Officer must ensure compliance with established policies, procedures, laws, and regulations. She must report to the full council or one of the council's Committees as appropriate if she considers that any proposal, decision, or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No such reports have arisen during the 2020/21 financial year. Blackpool Council's Monitoring Officer acts as Deputy Monitoring Officer for the council, supporting the Monitoring Officer in her role. There are reciprocal arrangements for investigating standards matters across both these council's Monitoring Officers. The Head of Governance also supports ethical framework arrangements.

Chief Financial Officer

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

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

Governance framework

Internal Audit

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

Corporate Governance Group

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Management

Team for maintaining and monitoring the Annual Governance Statement. Officers in turn, are responsible and answerable to, the council's Audit and Standards Committee.

Strategic Risk Management Group

The councils has adopted a Strategic Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Strategic Risk Register is in place and is monitored and reviewed, combined with action planning for risks identified. A Strategic Risk Management Group (SRMG) has been established to assist with the management of strategic risks.

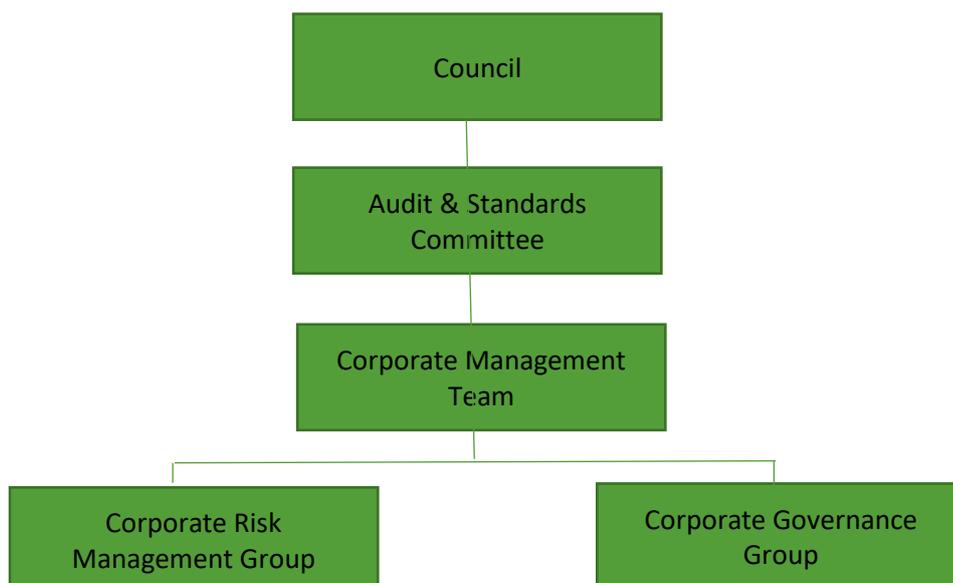
The Authority's Risk Management Policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, service managers have identified their respective operational risks and have recorded these on GRACE.

Management Team

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

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

Governance structure for risk and corporate governance



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

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

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

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

In December 2019, CIPFA introduced a Financial Management Code (the Code). A key objective of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The Code is due to be implemented in local government bodies in 2021/22 with 2020/21, being a shadow year. The Council will review compliance with the Code and address any areas of concern in order to enhance standards of financial management across the council.

In 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) updated its best practice guidance on delivering good governance. As a result, during the year, the council adopted of Code of Corporate Governance which outlined several behaviours and actions which underpinned the supporting principles. This document was reviewed during 2020 and subsequently approved by the Audit and Standards Committee.

Internal Audit had a far from normal year in 2020/21. The team was redeployed for a large part of the year to deal with the administration of Covid related business support grants. At the latter end of 2020, the Head of Internal Audit, recognising the continued impact of COVID-19, reported to the Audit and Standards Committee that in light of the team being redeployed to business grants administration, and other resources across the council being re-directed to support activity in response to the pandemic, that it had not been possible to deliver a significant portion of the planned internal audit work as set out in the internal audit plan for the year and in light of this how she intended to evaluate the internal control framework, and a risk based revised approach was agreed at the committee meeting in November 2020. However, shortly after this, the Head of Internal Audit handed in her notice subsequently leaving the council in early 2021, followed shortly by remaining members of the team. As a result it has not been possible to deliver the revised plan and achieve sufficient assurance across a significant subset of areas of operation that are material and this has resulted in a limitation of scope opinion.

The Merseyside Internal Audit Agency (MIAA) were appointed in early 2021 to provide the audit service for a 12-month period. The contract commenced in 15th March 2021.

The Head of Internal Audit Opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is moderate, that there is an adequate system

of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.

The Head of Internal Audit has obtained insufficient assurance across a significant subset of risk or areas of operation that are material.

Limitations to the scope

The Head of Internal Audit opinion however excludes, main accounting, housing benefits, council tax and business rates, third party assurance from external providers and key financial systems as there is insufficient assurance available for the Head of Internal Audit opinion to offer reasonable assurance.

The limitations of scope have arisen because Council internal audit staff have been redeployed to meet critical business needs. In addition, management made the decision to use available staff to address the priorities arising from the pandemic and avoid placing additional demands on staff to complete internal audits.

To avoid similar limitations in future, the council has increased internal audit capacity and strengthened its resilience by procuring MIAA to provide the internal audit service and deliver a risk-based plan during 2021/22 to fulfil the requirements of the PSIAS. Gaps in audit coverage in 2020/21 have been considered as part of the 2021/22 risk assessment and planning process.

In addition, the council's senior leadership team has committed to ensure staff are available to support internal audit to complete sufficient work to provide an opinion. There will be regular reporting and monitoring to senior management and the Audit and Standards Committee to ensure the achievement of the plan is on track. This action is recorded in the Corporate Governance Action Plan. MIAA has supported Fylde Council to provide this opinion on behalf of the organisation in full compliance with the PSIAS.

Other governance issues

During the year, the council's interaction with government agencies has been significant, as the government has delegated several initiatives aimed at responding to the pandemic to local government. The council's relationship with government has continued to be objective and professional.

Council services are delivered by trained and experienced people. Posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme. In addition, the council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control. The authority also has a set of core competencies which outline the expected behaviours of employees. Clearly the year has been an unprecedented one in terms of business interruption and new responsibilities balanced against delivering core services. This has been challenging for the council as a small district, and in turn, for its employees.

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

The council is committed to openness and transparency. It published a suite of transparency resources on its website, including collections of material required to be published by government regulation and guidance. Additionally, the council maintains a comprehensive and fully searchable index of agendas and decision records from for committee meetings from 2005 onwards. During the year 2020-21, the council received 316 information requests (made under either the Freedom of Information Act 2000 or the Environmental Information Regulations 2004) and responded to more than 97% of them within the statutory deadline. All but twelve of the requests resulted in information being disclosed to the requestor or the council informing the requestor that it did not hold the information.

The council takes its data protection responsibilities seriously. Its data protection officer has complete operational independence in data protection matters and is one of the council's most senior officers. During 2020-21, the council has consolidated its compliance with the Data Protection Act 2018 and UK GDPR by completing its record of processing activity ('RoPA'). The RoPA in turn provides the foundation for an updated retention policy and schedule which is presently being rolled out. The data protection officer reports to the council's management team every six months on data protection at the council.

During the year, seven personal data breaches were reported to the data protection officer. Of these, six were judged to not involve a risk to the rights and freedoms of data subjects. The remaining breach was considered to involve a high risk and was accordingly reported to the Office of the Information Commissioner.

The Authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims and this has never been more so than in 2020/21

Covid-19

In March 2020 the first meeting was held of the Lancashire Resilience Forum (LRF) to agree a Lancashire-wide response to the emerging health crisis. This resulted in the LRF establishing a command structure for Lancashire for the crisis which had several themes including intelligence and advice, warning and informing, test and trace, adult social care, logistics, death management, business continuity, human aspects, educations and early years and faith. The council's senior managers played a lead role within each respective area ensuring that a local response was put in place. This work continued throughout 2020/21.

The council's workforce was mobilised to move from 'business as usual activity' to emerging new priorities such as the humanitarian response through the establishment of a Community Hub through to a system of administering grants to the business community.

The council provided sound leadership during the crisis with the ability to move resources around to ensure that it had the capacity to respond. Teams whose usual work had ceased were moved into new areas of activity, with much achieved through agile working.

The Fylde Community Hub, which was established to support those on the NHS shielding list and the vulnerable. The Hub was resourced by council employees and it worked with several volunteer groups and other partners. A dedicated call centre for the Hub was operated remotely by staff working from home with the necessary IT solutions put into place to enable this. This was operated not only in usual business hours, but also during the evenings and weekends, during the first wave of the pandemic.

By the Spring of 2020, there were over 100 volunteers who also supported the work of the Hub offering support for others such as shopping and prescription collection/deliveries.

	<p>Fylde currently have 5883 Extremely Vulnerable Persons (EVPs - Shielded) that have been supported up until the period when shielding paused (31st March). All the EVPs on the list up to that point have been contacted directly either by telephone or in writing by the Fylde Community Hub to offer support and to signpost them to other partner organisations for assistance.</p>
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The Government, through the Department for Business, Energy & Industrial Strategy (BEIS), introduced grants to support businesses affected by the pandemic and a team of staff administered these grants throughout the year. To date £29.8m has been paid to Fylde businesses in 2020/21 through a range of schemes outlined below. Local authorities are responsible for delivering the funding to eligible businesses, fully reimbursed by government, with top-up funding if original allocations were insufficient. Other than for the discretionary schemes detailed below, the eligibility criteria and amount of the award were determined by BEIS.

Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF) – introduced at the start of the pandemic the amount of the award was predetermined based on a combination of business rate relief eligibility and the rateable value of the qualifying premises within the council’s rating list.

Local Authority Discretionary Grant Fund (LADGF) - On 1 May 2020 the Government announced that it was providing local authorities with additional funding to target small businesses with high fixed property-related costs but that were not eligible for the Small Business Grant (SBGF) or Retail, Hospitality and Leisure (RHLGF) Grant schemes. An additional 5% of the SBGGF & RHLGF grant scheme funding was awarded for each local authority. Whilst the Government stated that they wanted local authorities to exercise their local knowledge and discretion they asked that the following types of businesses be prioritised from this funding pot:

- *Small businesses in shared offices or other flexible workspaces e.g. industrial parks, science parks, incubators etc, which do not have their own business rates assessment*
- *Regular market traders who do not have their own business rates assessment*
- *B&B’s which pay council Tax instead of business rates; and*
- *Charity properties in receipt of charitable business rates relief which would otherwise have been eligible for Small Business Rates Relief or Rural Rate Relief*

On 17 October 2020 Fylde (along with the rest of Lancashire) entered into Local Covid Alert Level ‘Very High’ restrictions. It was announced there would be further support grants for businesses which were required to close or were affected as a result of the new restrictions. Subsequently, the following grant schemes were announced by BEIS in respect of 2020/21:

- Local Restrictions Grant (Open)
- Local Restrictions Grant (Closed) pre 5 November 2020
- Local Restrictions Grant (Closed) Addendum 5 November - 2 December 2020
- Local Restrictions Grant (Closed) 2 December - 30 December 2020
- Local Restrictions Grant (Closed) Tier 4 31 December - 4 January 2021
- Christmas Support Payment for wet-led pubs
- Local Restrictions Grant (Closed) Addendum 5 January - 31 March 2021

- Closed Business Lockdown Payment (CBLP)
- Local Restrictions Grant - Sectors
- Additional Restrictions Support Grant (ARG)

Local Restrictions Support Grants (LRSB) (closed) and Christmas Support Payment (CSP) for wet led pubs - Local authorities were responsible for delivering the funding to eligible businesses, fully reimbursed by government, with top-up funding if original allocations were insufficient. The eligibility criteria and the amount of the award were determined by BEIS.

The Local Restrictions Support Grant (Closed) Addendum: 5 January onwards and the Closed Businesses Lockdown Payment (CBLP) - These schemes under the 'business support package for January lockdown' provided for grants payable to all eligible business affected by national restrictions and required to close. Eligibility criteria and the amount of the award were again determined by BEIS. Authorities were funded with reconciliation between grant allocation and actual eligible costs.

Local Restrictions Support Grant (Open) – This provided support for businesses that were not legally required to close but were severely impacted by restrictions. Authorities had a funding allocation and then had discretion over the eligibility criteria, to determine which businesses to support and the amount of the award.

Additional Restrictions Grant (ARG) - Local authorities received a lump sum payment when regional tier 3 or widespread national restrictions were imposed. Local authorities could use this funding for direct business support grants or for wider business support activities, determining how much funding to provide to businesses, and exactly which businesses to target.

The council was required to follow the guidance for each of schemes and to conduct activity to provide assurance that the grants have been paid out in line with the eligibility and subsidy allowance conditions for these schemes.

Pre and post-payment assurance plans were developed for each grant scheme and eligibility checks were performed on all payments, whether pre or post-payment. Continuous monitoring, reporting and assurance checking was carried out throughout the process in line with the detailed guidance provided and regularly updated by BEIS for each scheme.

The council's Environmental Protection Team also provided a high-level of support to businesses affected by the various closed periods either because of national lockdowns or tiering arrangements. Pro-active visits have taken place to businesses, focusing on the hospitality and close-contact services, to provide support and guidance, and to enforce on those occasions where regulations were being disregarded.

Coronavirus: Are you ready to re-open safely?

Check your business is allowed to re-open (see Government list) and review your current risk assessment (see COVID-19 checklist)
Visit www.fylde.gov.uk/reopening

Ensure adequate procedures are implemented for the following:

- Cleaning, hand washing and hygiene
- Help people to work from home (where possible)
- Maintain a 2 metre distance throughout. Where this is not possible, you must introduce additional controls
- Manage all queues according to the 2 metre rule (ensure regard for public access on pavements and passing traffic near roads)
- Take all practical and reasonable steps to reduce transmission risks (see practical tips)
- Ensure all controls are visible to the public (consider use of the Fylde Poster Pack and other downloadable resources)

For specific advice please email
commercial@fylde.gov.uk



Businesses Permitted to Re-Open 4th July

FAQs

Can I stand up and drink at the bar, or anywhere else on the premises, at licensed venues?
No. Seating will facilitate appropriate distancing that will prevent overcrowding and congestion.

Who am I allowed to share a table with at a licensed premise?
Tables should be restricted to 6 persons from two households (maximum)
Outdoor seating is restricted to six people from any number of households.

Is there a limit to the number of people that can share a table at a licensed premise?
Please refer to Question 2.

Do I have to provide my name and contact details when I book a table?
Venues are advised to assist (NHS Test and Trace) by keeping a temporary record of customers and visitors for 21 days. Customers should do this in order to help fight the virus and stay safe.

Do I have to book a table in advance at a licensed premise or can I just 'walk in'?
It is advised to book to secure your seating. Booking assists the business in planning and working safely within their capacity.

Is a table booking restricted to the number that booked, not permitting others to join?
Refer to Question 2. You are advised to speak to the business to amend your booking in advance.

Can the venue set a time limit for using a table?
Yes. This is to the discretion of the business since the new controls are likely to require planning to maintain customer safety.

Can the venue operate a cashless service only (refuse cash)?
Contactless payments are encouraged where possible.

Can a restaurant or café require that food is purchased and refuse drinks only customers?
The service of drinks only is discretionary to the business. Some licensing conditions require the sale of alcohol to be in addition to the supply of food.

Does the 2m guidance apply at the table or between the tables?
The 2m guidance relates to the distance between tables.

If a venue is operating a '1m plus' approach, what mitigation measures should be in place?
This may depend on each business circumstances. Such mitigation measures may include:

- Further increasing the frequency of hand washing and surface cleaning
- Keeping the activity time involved as short as possible
- Using screens/barriers to separate persons from each other & workers from customers at service points
- Back-to-back or side-to-side (rather than face-to-face) positioning whenever possible
- Maintaining one-way systems
- The provision and maintenance of face coverings and visors
- Designated pick up points for food and separate stations for clearing tables and dirty crockery

For further information visit
www.fylde.gov.uk/reopening



Example leaflets, produced by the Environmental Protection team to support businesses reopening in 2020/21

As the government encouraged those who could to work from home this affected many office-based staff working at the Town Hall. The IT Team was able to support home working through the provision of equipment and guidance to staff. Both the Customer Services and Fylde Community Hub Call Centres were operated through remote, home-working, solutions. This ensured that customers saw no demonstrable difference when contacting the council. It also enabled an out-of-hours services for Community Hub telephone enquiries from those seeking assistance. The resilience of the ICT infrastructure is commendable.

Front line service delivery did not falter during the pandemic. As other councils struggled to keep their refuse collection services fully operational there was no diminishment in the service provision of the council's black, brown and green bin refuse collection service. The crematorium was able to respond to demand as well as sensitively deal with the social-distancing requirement of funeral services with on-line access for those unable to attend funerals in person provided.

There has also been close partnership working with colleagues within the health sector and the council has provided a local response with respect to both track and trace and lateral flow testing within business and community settings. Fylde partnered with Blackpool Council to deliver track and trace which has been a successful operation with self-isolation grants administered by the shared revenues and benefits service.

A team of Covid-19 marshals were employed from October onwards providing a visible presence within communities to provide reassurance and to provide intelligence on an on-going basis.

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

advance of the eventual enabling legislation introduced by Central Government with followed several weeks later. When the enabling legislation came into force the council switched its decision-making model to that of remote meetings. These respective responses ensured that there was no business interruption to the council’s decision-making abilities.

The council has chronicled how it will support community recovery going forward together with economic growth through its Recovery Plan, below.

	What we will achieve	What we will do
Supporting Community Recovery	<ul style="list-style-type: none"> • Vulnerable residents staying safe and healthy, including the homeless • Great outcomes by volunteer and community groups, delivered with support and facilitation from the council • A reduction in anti-social behaviour through a community partnership approach • Support those with financial hardship as a result of the pandemic • A healthier and more active community across all age groups and demographics 	<ul style="list-style-type: none"> • Maintain and further develop the community-based arrangements that have been created during the pandemic, ensuring that new and returning groups are sustainable • Implement an active citizenship scheme to support young people through post-pandemic recovery, providing opportunities and activities to develop their life skills • Work in close partnership with the In Bloom groups to return award-winning status the towns and villages • Target those most impacted by the pandemic (i.e. homeless, unemployed, vulnerable etc.) to ensure they can access the support they need from the council and our partners • Offer all residents targeted support and advice regarding healthy and active lifestyle choices including change empowerment programmes
Supporting Economic Recovery	<ul style="list-style-type: none"> • Economic recovery through facilitating and supporting investment and development • Economic benefit for the borough secured through regional partnerships • Progressive employment opportunities and an enhanced skills base • Revived town centres and high streets through support and investment • An extensive and quality tourism offer with a wide range of all-year-round events 	<ul style="list-style-type: none"> • Deliver major infrastructure improvements including the M55 link road, south Fylde railway improvements, the Enterprise Zones, the M55 junction, and the Clean Energy Technology Park • Develop and deliver regeneration strategies for the borough’s three town centres; St Annes, Lytham, and Kirkham • Facilitate major town centre projects including; the Kirkham Future High Street/Heritage Action Zone, redevelopment of the former public offices and JR Taylors in St Annes, and expansion of the unique independent traders and café culture in Lytham • Review significant empty or derelict commercial premises/land and engage with owners to encourage reuse/redevelopment • Deliver public realm schemes across the borough that enhance the local environment and stimulate private sector investment • Apply for grant funding and provide capital investment for projects to revive the high street, boost the rural economy, and enhance tourism • Support the return of events to the Borough, actively promoting and facilitating additional events and all-year-round tourism attractions and facilities • Create all year-round leisure destinations at Fairhaven, The Island and other locations in partnership with local stakeholders • Establish sustainable and meaningful forums to engage with the business community, that are constructive and deliver benefit to the local economy
Re-aligning the Council	<ul style="list-style-type: none"> • Establish sustainable and meaningful forums to engage with the business community, that are constructive and deliver benefit to the local economy • Effective and productive partnerships and engagement with every stakeholder • Service policy and plans that support and drive sustainable recovery 	<ul style="list-style-type: none"> • Revise the Corporate Plan and Commercial Strategy so that they are drivers behind the post-pandemic recovery over the long-term and shape the approach required to deliver sustainable recovery • Review council operational and governance structures to ensure the appropriate resources and decision-making arrangements are in place to deliver the recovery plan • Review policy and procedures to reflect both the changes brought about by the pandemic and the approach required to deliver community and economic recovery • Implement stakeholder engagement that is accessible, supportive and productive, resulting in sustained effective communication and shared objectives for recovery, embracing the digital developments introduced during the pandemic • Communicate through all media the recovery initiatives and successes in partnership with all stakeholders

Fylde Council Coronavirus Recovery Plan
www.fylde.gov.uk e: listening@fylde.gov.uk



Review of effectiveness

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

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the Authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. This is evaluated each year by each Head of Service completing a self-assessment against these procedures. The Corporate Governance Group reviews these statements made by the respective Service Heads taken together with external assurance sources such as the external auditor's Annual Audit Letter and its ISA 260 report to those charged with governance...

During 2020/21, the Audit and Standards Committee kept under review how issues identified in the previous annual governance statement had been resolved. Any outstanding actions have translated into this year's action plan although delivery has been good on governance improvements despite resources being diverted elsewhere to respond to the pandemic.

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

The Strategic Risk Management Group has continued to meet during the year to review achievement of control measures in relation to strategic risks identified. The Audit and Standards Committee has also been kept abreast of strategic risk issues and their management.

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



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Any enquiries regarding this document/publication should be sent to us at the Town Hall, St Annes Road West, St Annes FY8 1LW, or to listening@fylde.gov.uk.

Date: July / 2021

Review Date: July / 2022

Corporate Governance Action Plan

Area Requiring Action	Senior Responsible Officer	Progress update	Status	Completion Date
<p>Deliver training and support for all Chairmen, including the Mayor, covering procedural best practice as well as managing behaviours</p>	<p>Tracy Manning (Director of Resources)</p>	<p>The training was originally organised for April of 2020 but had to be cancelled due to the pandemic.</p> <p>The Member Development Steering Group re-visited the matter in Winter 2020 and decided to defer the delivery of the training until 2021 in anticipation of face-to-face delivery as opposed to a zoom training session as a preferable option. The training session was subsequently delivered by North West Employers in May 2021.</p>	<p>Completed</p>	<p>18th May 2021</p>
<p>Consider revised Code of Conduct drafted by the Local Government Association and bring forward a report for consideration by the Audit and Standards Committee/Council</p>	<p>Tracy Manning (Director of Resources)</p>	<p>Initial summary report of the position was made to the Audit and Standards Committee at its meeting on 26th November 2020.</p> <p>A further report was considered by the Audit and Standards Committee in May 2021 and it is agreed that this will be the subject of a joint workshop between Blackpool and Fylde elected members and Independent Persons during the summer of 2021 to be</p>	<p>In-progress</p>	<p>24th September 2021</p>

		reported back to the Audit and Standards Committee in the autumn of 2021. Considering this the action will be added to the 2021/22 Corporate Governance Action Plan		
Project Management Framework – Compliance Guidance for Managers	Alex Scrivens (Corporate Services)	An internal review is currently taking place, this will be looking at the Council's existing project management methodology. This is being managed by the newly appointed Senior Projects Manager, Charlie Richards. The goals will identify best practice and modernise the approach to our existing project frameworks, to be applied and consistent in all service areas. This action will be added to the 2021/22 Corporate Governance Action Plan	In-progress	31 st July 2021
GDPR – updating of key policies and procedures in relation to GDPR and the provision of support and awareness raising to assist managers in meeting their compliance obligations	Ian Curtis (DPO) and Ben McCabe (Deputy DPO)	Information Governance Framework revised to take into account GDPR and Data Protection Act 2018, January 2020	Completed	30 th April 2021
		Data Assurance Policy updated to take into account GDPR and Data Protection Act 2018, September 2020 Compulsory iPool module on data protection October 2020	Completed	
		First biannual report to Management Team on corporate GDPR submitted in April 2021	Completed	

		<p>RoPA (record of processing activity) completed in April 2021</p> <p>Work on Data Retention Policy now underway and this action will be transferred to the 2021/22 Corporate Governance Action Plan</p>	<p>Completed</p> <p>In-progress</p>	
<p>As a result of an action recommended by the Planning Advisory Service to provide staff briefings on the Complaints Procedure and provide conflict resolution and customer care training for officers involved in complaint handling</p>	<p>Alex Scrivens (Corporate Team)</p>	<p>The Corporate Team has been unable to carry out this training in 2020/21 as a result of the demands the pandemic and the requirement to divert resources from the usual activities, and as a consequence this issue will be addressed during the course of 2021/22. Therefore, this action has been added to the 2021/22 Corporate Governance Action Plan</p>	<p>On-going</p>	<p>31 March 2022</p>
<p>Core Competencies Review 'Fylde 2024' initiative</p>	<p>Kirstine Riding (Housing Manager)</p>	<p>The Fylde 2024 steering group have maintained and stored all information in relation to this initiative on a Fylde 2024 SharePoint site. There is an ambition to revisit this project once service delivery resumes outside of the exiting pandemic. This will involve a review the current situation in the light of the changes to the work environment and culture of the organisation because of the pandemic. As a result, this work has been carried forward into next year's</p>	<p>On-going</p>	<p>31 March 2022</p>

		Corporate Governance Action Plan.		
Actions as a result of COVID 19 to consider the longer-term implications of agile working with a view to re-setting the culture and behaviours of the council	Alex Scrivens (Corporate Team)	The Corporate Team are about to embark on a survey of employees to seek feedback on key considerations in furthering work in this area around communications, hours and physical locations to enable staff to be as possible no matter where, when or who they work with. This will build upon the successful remote working which has been accelerated during the pandemic. Any suggested refinements or improvements will be considered by the Head of Paid Service together with the relevant managers. This action will be carried forward to the 2021/22 Corporate Governance Action Plan	In-progress	30 th September 2021