



# Agenda

## Audit and Standards Committee

Date:	Wednesday, 29 September 2021 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	<p>Councillor Ellie Gaunt (Chairman) Councillor Ed Nash (Vice-Chairman)</p> <p>Councillors Paula Brearley, Delma Collins, Peter Collins, Brian Gill, Will Harris, Paul Hayhurst, John Singleton JP.</p>

	PROCEDURAL ITEMS:	PAGE
1	<b>Declarations of Interest:</b> Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	<b>Confirmation of Minutes:</b> To confirm the minutes, as previously circulated, of the meeting held on <a href="#">15 July 2021</a> as a correct record.	1
3	<b>Substitute Members:</b> Details of any substitute members notified in accordance with council procedure rule 23(c).	1
	<b>STANDARDS ITEMS:</b>	
4	<b>Issues Raised with the Monitoring Officer (INFORMATION ITEM)</b>	3 - 4
	<b>AUDIT DECISION ITEMS:</b>	
5	<b>Deloitte LLP Audit Plan 2020/21</b>	5 - 39
6	<b>Deloitte Report to Those Charged with Governance (ISA 260) 2020/21</b>	To Follow
7	<b>Annual Statement of Accounts 2020/21</b>	To Follow
8	<b>Management Representation Letter 2020/21</b>	42 - 49
9	<b>Constitution Amendment - Terms of Reference - Planning Committee</b>	50 - 52

<b>10</b>	<b>Internal Audit Progress Report</b>	<b>53 - 66</b>
	<b>AUDIT INFORMATION ITEMS:</b>	
<b>11</b>	<b>Update on the Strategic Risk Register</b>	<b>67 - 72</b>
<b>12</b>	<b>Regulation of Investigatory Powers Act 2000: Authorisations</b>	<b>73</b>
<b>13</b>	<b>Corporate Fraud Team Update</b>	<b>74 - 78</b>

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

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

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

**© Fylde Council copyright 2021**

You may re-use this document/publication (not including logos) free of charge in any format or medium. You must re-use it accurately and not in a misleading context.

The material must be acknowledged as Fylde Council copyright and you must give the title of the source document/publication.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

This document/publication is also available on our website at [www.fylde.gov.uk](http://www.fylde.gov.uk)

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](mailto:listening@fylde.gov.uk).

## INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	4
<b>ISSUES RAISED WITH THE MONITORING OFFICER</b>			

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

The Monitoring Officer has been appointed as Proper Officer to receive allegations of failure to comply with the Code of Conduct regarding councillors, town and parish councillors and co-opted members. The Monitoring Officer has delegated authority, after consultation with the 'Independent Person', to determine whether an allegation of members' misconduct requires investigation and arrange such an investigation.

The Monitoring Officer should seek resolution of complaints without formal investigation wherever practicable and she has the discretion to refer matters to the Audit and Standards Committee where she feels it is inappropriate for her to take a decision on a referral for investigation. She should also periodically prepare reports for the Audit and Standards Committee on the discharge of this function.

In order to keep the Audit and Standards Committee informed as to the number and general nature of matters brought to her attention reports on the discharge of the function of Monitoring Officer are brought on a periodic basis.

It is a point of clarification that there are a number of stages in dealing with reported matters. Some matters are brought to the attention of the Monitoring Officer without merit. In instances where a breach may have been considered to arise, and in line with agreed procedures, wherever possible the Monitoring Officer should seek the resolution of complaints without the need for formal investigation.

### SOURCE OF INFORMATION

Monitoring Officer.

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

Periodic reports to the Audit and Standards Committee show all the matters which have been brought to the attention of the Monitoring Officer for review in order that members of the Audit and Standards Committee have an appreciation of all matters arising.

### FURTHER INFORMATION

Contact Tracy Manning, Monitoring Officer Tel: 01253 658521

## INFORMATION

1. The tables below shows the nature of the allegations made in the complaints since last reported to the Audit and Standards Committee in January 2021. Complainants do not need to specify a relevant part of the code where they believe a breach has occurred (and indeed some of these complaints relate to differing codes dependant on when the complaint originates). For the purpose of the table below, the Monitoring Officer has made a judgement and grouped them accordingly.

PARISH MATTERS	
Failure to treat others with respect	0
Bringing the authority into disrepute	0
Interests	1

BOROUGH MATTERS	
Failure to treat others with respect	1
Using position as a member to gain for yourself or another person an advantage and disadvantage	1
Bringing office or council into disrepute	6
Interests	1

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	5
<b>DELOITTE LLP AUDIT PLAN 2020/21</b>			

### PUBLIC ITEM

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

### SUMMARY

The report presents the Audit Planning Report from Deloitte LLP for the financial year 2020/21. The report will be presented by Deloitte LLP.

### RECOMMENDATION

The committee is recommended to:

1. Note the contents of the Deloitte LLP Audit Planning Report for 2020/21 which is attached to this covering report, and provide any comments as considered appropriate.

### SUMMARY OF PREVIOUS DECISIONS

The Audit Plan is considered each year 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 report has been prepared by the Council's external auditors, Deloitte LLP. It summarises how they will deliver their audit work for Fylde Borough Council in respect of 2020/21.

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

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

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
N/A	N/A	N/A

#### Attached documents

Appendix 1 - Deloitte LLP Audit Planning Report for year ended 31<sup>st</sup> March 2021.



## Planning report to the Audit Committee for the year ending 31 March 2021

20 September 2021

# Contents

---

## 01 Planning report

Introduction	3
Responsibilities of the Audit Committee	5
Our audit explained	6
Scope of work and approach	7
Continuous communication and reporting	9
Our risk assessment process	10
Materiality	11
COVID-19 impact	12
Significant risks	15
Value for Money	18
Revisions to auditing standards	19
Purpose of our report	23

---

## 02 Appendices

Fraud responsibilities and representations	25
Independence and fees	27
Our approach to quality	29



# Introduction

## The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our planning report to the Audit Committee for the 2021 audit. We would like to draw your attention to the key messages as set out below:

<b>Audit Scope</b>	<p>Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Council prepared in accordance with the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA for the period ending 31 March 2021. We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs UK") and the Code of Audit Practice issued by the National Audit Office.</p> <p>Our responsibilities as auditor, and the responsibilities of the Council, are set out in the 'PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies' published by Public Sector Audit Appointments Limited.</p>
<b>Significant Risks</b>	<p>In our audit planning report last year, we identified the following area of significant audit risk which we expect to remain as significant risk of material misstatement in the 2020/21 statement of accounts:</p> <ul style="list-style-type: none"><li>• <b>Management override of controls</b> – auditing standards presume there is a risk that the accounts may be fraudulently misstated by management overriding controls. Key areas of focus are: bias in the preparation of accounting estimates; inappropriate journal entries; and transactions which have no economic substance.</li></ul> <p>In the prior year we had also identified a significant risk in relation to property valuations. As a result of the Covid-19 pandemic, the Royal Institute of Chartered Surveyors (RICS) advised valuers to consider whether to include a "material valuation uncertainty" paragraph in their valuations. The Council's valuer referenced a material valuation uncertainty in their report for 2019/20.</p> <p>It has been recommended by RICS that the "material valuation uncertainty" is removed for 2020/21. This guidance, in combination with corrections made to valuation methodology as a result of the 2019/20 audit, means we no longer consider property valuation to be a significant risk of material misstatement in the 2020/21 statement of accounts.</p> <p>We have also removed the Completeness and cut-off of service line expenditure risk as our work in both 2018/19 and 2019/20 identified no material weakness in control nor any material misstatement to expenditure.</p> <p>For the year 2020/21 we have identified a new significant risk in relation to <b>Inappropriate Capitalisation of Expenditure</b> – there is an inherent fraud risk associated with the under recording of expenditure in order for the Council to report a more favourable year-end position. One way that the Council can achieve this is through the posting of revenue expenditure to capital. We are aware, from our analysis, the Council has undertaken a material level of capital additions in year and as a result we have assigned our risk to this area.</p>

# Introduction

## The key messages in this report (continued):

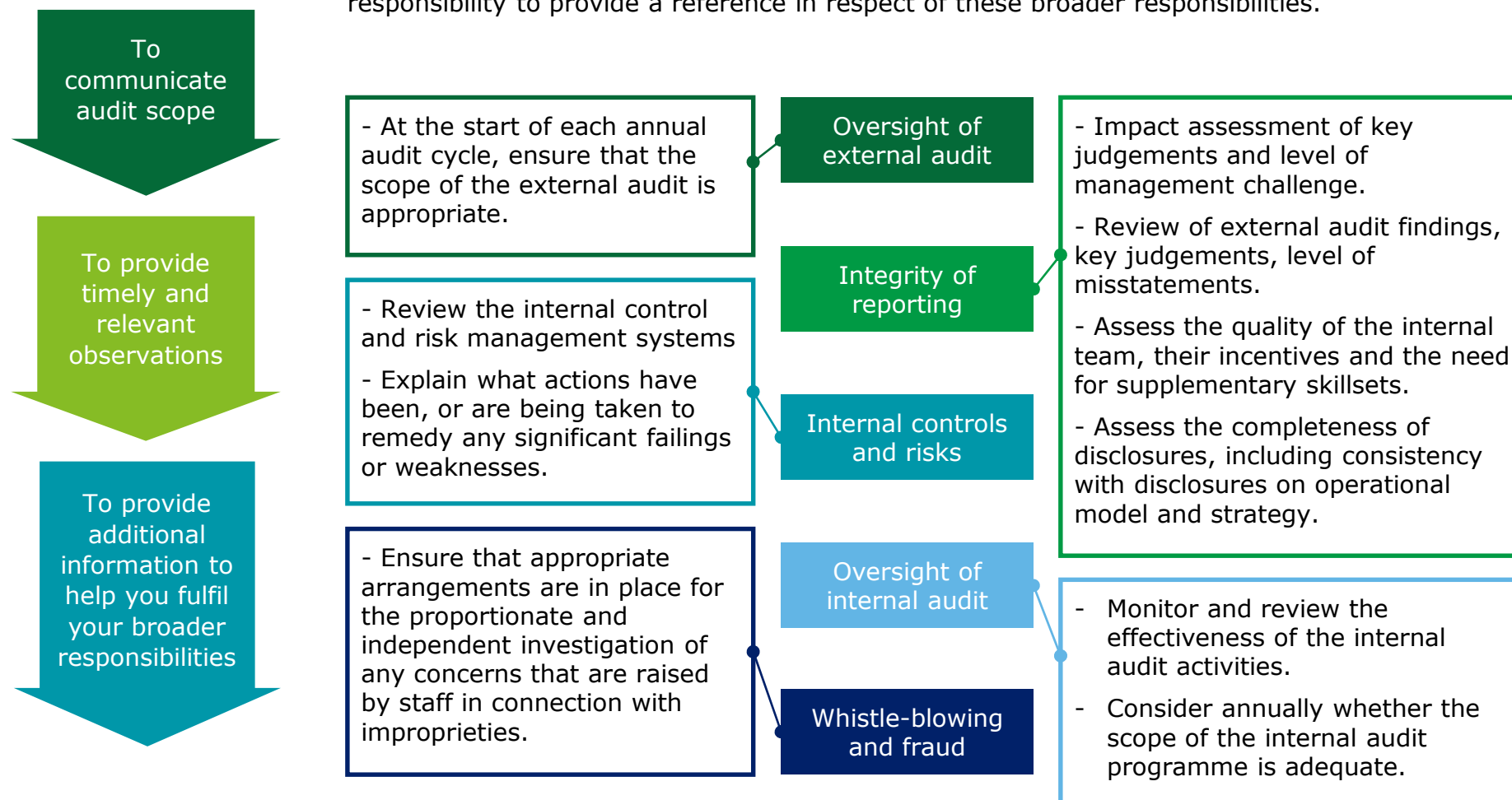
<b>Value for Money</b>	<p>The National Audit Office's 2020 Code of Audit Practice revises the scope of the required work of the auditor on bodies' arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new "Auditor's Annual Report" (which replaces the Annual Audit Letter). The new requirements in this area are discussed further on page 18.</p>
<b>Brexit</b>	<p>The Council will be preparing its Statement of Accounts against the backdrop of continued uncertainty related to Brexit.</p> <p>The Council will also need to consider the inclusion of Brexit in the Statement of Accounts for 2020/21, particularly in the areas of risk reporting and asset valuation.</p>
<b>Climate-related risks</b>	<p>In November 2020, the FRC published its review of climate-related considerations which includes the FRC's expectations of companies, financial statements and auditors. The FRC highlights that "the implications of climate change will affect a wide range of companies. In developing a company's strategic direction, boards "should be taking into account all the possible effects of climate change" and that "corporate reporting should address the company's impact on the environment, the resilience of its business model and the impact of climate change on its financial statements." The FRC's year-end letter to CEOs, CFOs and Audit Committee Chairs highlights that "users expect companies to provide full information about the future impact of climate change on the business and how the company's activities affect the environment" and that financial statements should explain the impact of climate-related risks, policies and strategies on measurement and disclosure.</p> <p>While the FRC statements on climate change are not directly applicable to the Council at the current time, going forward we would expect to see additional disclosure requirements included for Local Government accounts. The Council should consider the potential impacts and risks that it faces due to the increasing focus on climate change.</p>
<b>COVID-19</b>	<p>See pages 12 to 14 for details of how COVID-19 may impact the Council's Statement of Accounts, financial statements and the overall audit process.</p>

# Responsibilities of the Audit Committee

## Helping you fulfil your responsibilities

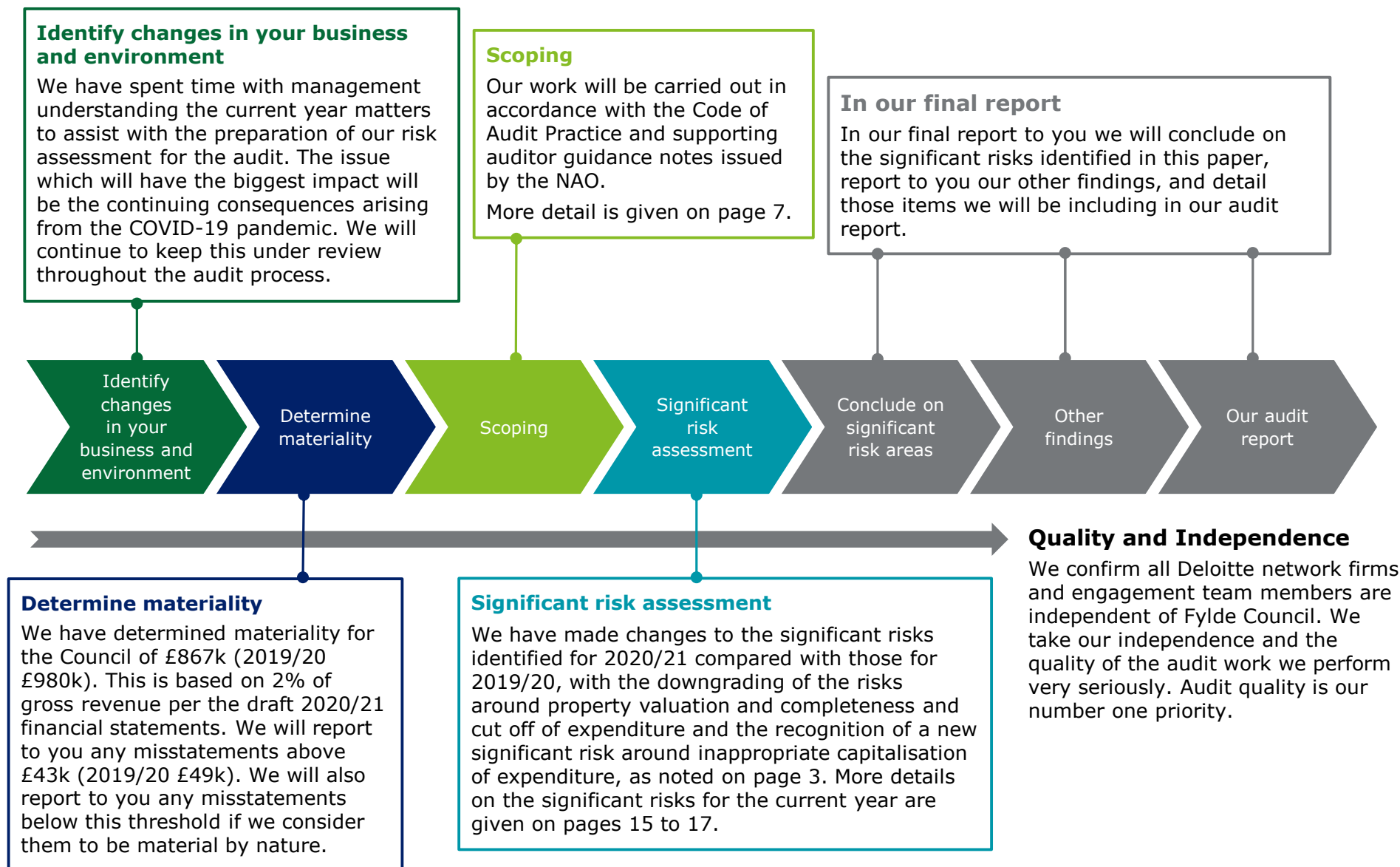
Why do we interact with the Audit Committee?

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities.



# Our audit explained

We tailor our audit to your business and your strategy



# Scope of work and approach

## We have three key areas of responsibility under the Audit Code

### **Financial statements**

We will conduct our audit in accordance with the Code of Audit Practice and supporting guidance issued by the National Audit Office ("NAO") and International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure; and
- Are prepared in line with the Code of Practice on Local Authority Accounting ("the Code").

### **Annual Governance Statement**

We are required to report on whether other information published with the audited financial statements is consistent with the financial statements.

Other information includes information included in the Statement of Accounts, in particular the Narrative Report. It also includes the Annual Governance Statement which the Council is required to publish alongside the Statement of Accounts.

In reading the information given with financial statements, we take into account our knowledge of the Council, including that gained through work in relation to the Council's arrangements for securing value for money through economy, efficiency and effectiveness in its use of resources.

### **Value for Money conclusion**

The National Audit Office's 2020 Code of Audit Practice revises the scope of the required work of the auditor on bodies' arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new "Auditor's Annual Report" (which replaces the Annual Audit Letter). See page 18 for full details of the new requirements in this area.

# Scope of work and approach

## Our approach

### Liaison with Internal Audit

The Auditing Standards Board's ISA (UK) 610 "Using the work of internal auditors" prohibits use of Internal Audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review Internal Audit reports and meet with the team to discuss their work. We will discuss the work plan for Internal Audit, and where they have identified specific material deficiencies in the control environment, we consider adjusting our testing so that the audit risk is covered by our work.

### Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

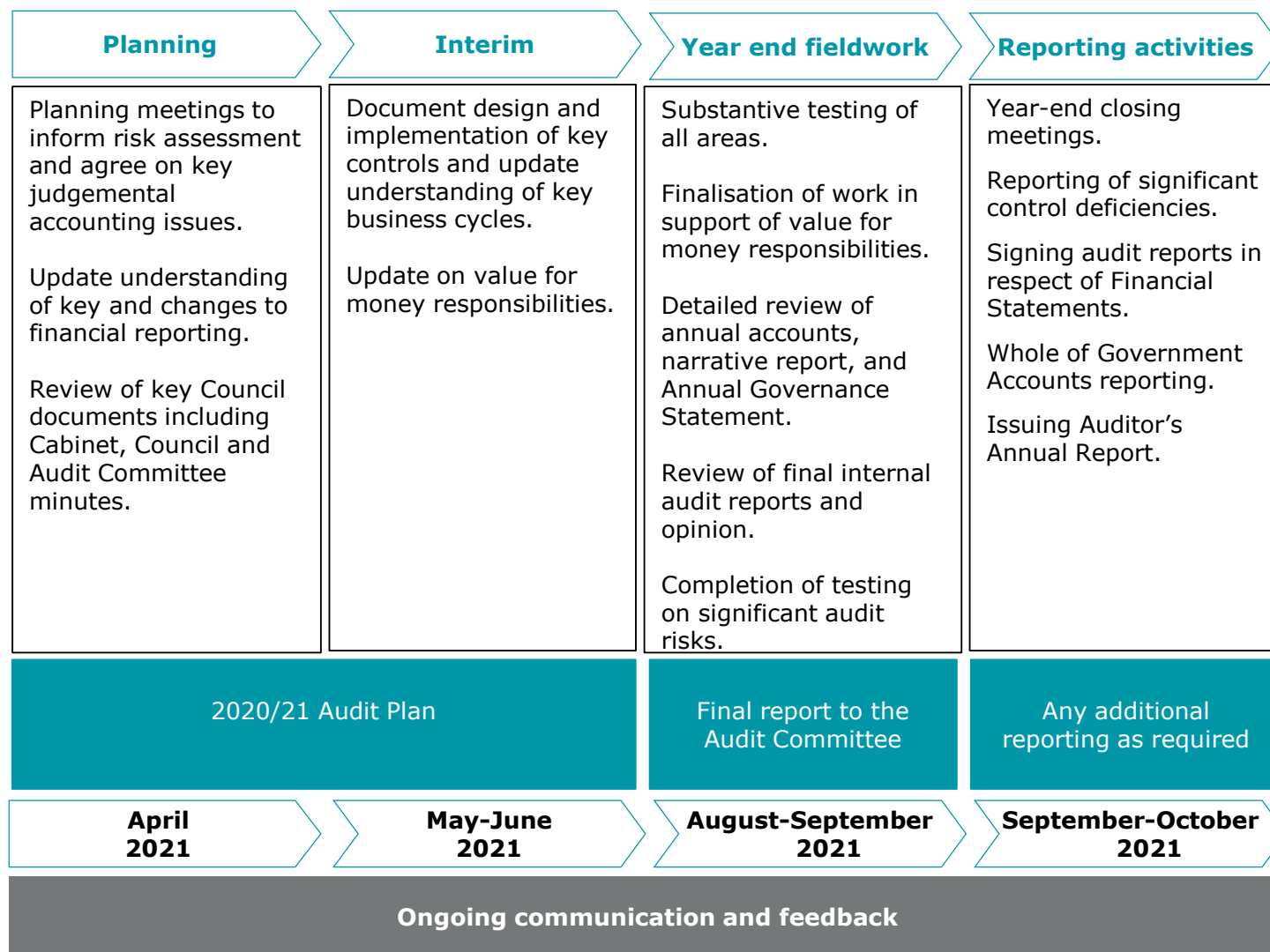
We recommend the Council complete the Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures (including consideration of the recent CIPFA publication on streamlining local government accounts), as well as the opportunity to review a skeleton set of financial statements and an early draft of the narrative report ahead of the typical reporting timetable to feedback any comments to management.

# Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



# Significant risks

## Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the Council's Statement of Accounts;
- the IAS 1 critical judgements and key estimation uncertainties previously reported in the Council's Statement of Accounts;
- the disclosures made by the Audit Committee in their previous Audit Committee report;
- our assessment of materiality; and
- the changes that have occurred in the council and the environment it operates in since the last Statement of Accounts.

### Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.

Page 15 summarises the significant risks that we will focus on during our audit.

### Principal risks and uncertainties

- Property valuations
- Fair value measurement
- Project management
- Future funding

### Changes in your council and environment

- Impacts of COVID-19
- Impact of Brexit

### IAS 1 critical judgements and key estimation uncertainties

- Property valuations
- Pension liabilities
- Lancashire Business Rates pool
- Provision for NNDR appeals

### NAO – Auditor Guidance Note 06

The National Audit Office identified commercialisation, Minimum Revenue Provision, Capital Receipts Flexibility, Devolution, transitional protection for certain pension scheme members and Guaranteed Minimum Pensions Equalisation, Dedicated Schools Grant and Pension guarantees to other bodies as key issues in their Local Government Audit Planning guidance issued in June 2021.

We reviewed the approach being taken by the Council in response to a number of these in the prior year audit and will refresh our understanding for the current year.

We do not believe any of these matters represent a significant audit risk but we will carefully review the approach being taken by the Council to address these issues.



# Materiality

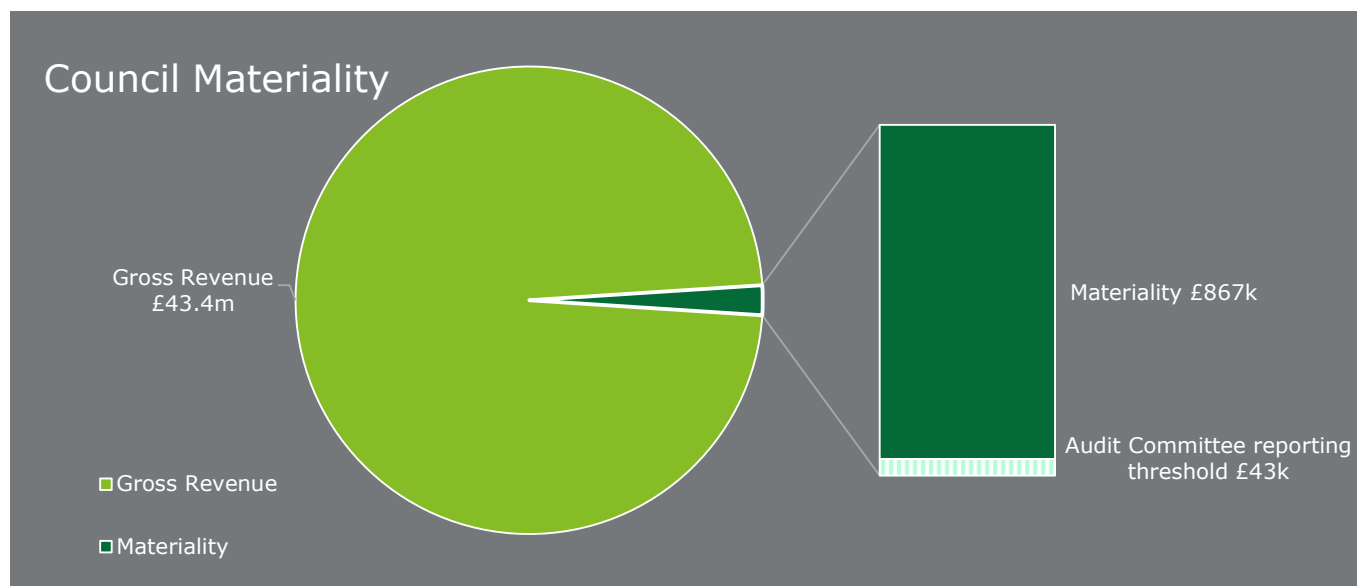
## Our approach to materiality

### Basis of our materiality benchmark

- We have determined materiality for the Council as £867k (2019-20: £980k), based on professional judgement, the requirements of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of gross revenue based on the draft 2020/21 accounts as the benchmark for determining our preliminary materiality.

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of £43k (2019/20 £49k).
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

# COVID-19 pandemic and its impact on our audit

Requirements	<p>CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in the preparation of the financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments.</p> <p>Entity-specific explanations of the current and expected effects of COVID-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.</p> <p>As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to investments, capital programmes, and resilience of the community including partner organisations and charities.</p>
Actions	<p>We therefore expect a thorough assessment of the current and potential future effects of the COVID-19 pandemic including:</p> <ul style="list-style-type: none"> <li>• A detailed analysis across the Council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves;</li> <li>• The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios); and</li> <li>• The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.</li> </ul>

Impact on the Council	Impact on the Council's Statement of Accounts	Impact on our audit
<p>We will consider management's assessment of the key impacts on the Council such as:</p> <ul style="list-style-type: none"> <li>• Interruptions to service provision</li> <li>• Supply chain disruptions</li> <li>• Unavailability of personnel</li> <li>• Reductions in income</li> <li>• The closure of facilities and premises</li> </ul>	<p>We will consider management's assessment of the impact of the outbreak on the Statement of Accounts, including the Narrative Report, discussed further on the next slide including:</p> <ul style="list-style-type: none"> <li>• Principal risk disclosures</li> <li>• Impact on property, plant and equipment</li> <li>• Valuation of commercial or investment properties</li> <li>• Impact on pension fund investment measurement and impairment</li> <li>• Going concern assessment</li> <li>• Events after the reporting period and relevant disclosures</li> <li>• Bad debts provision policy</li> <li>• Narrative reporting</li> <li>• Impairment of non-current assets</li> <li>• Allowance for expected credit losses</li> </ul>	<p>We have considered the impact on the audit including:</p> <ul style="list-style-type: none"> <li>• Resource planning</li> <li>• Timetable of the audit</li> <li>• Impact on our risk assessment</li> <li>• Logistics including meetings with entity personnel</li> </ul>

# COVID-19 impact on the Statement of Accounts









Impact on property, plant and equipment	<p>The Royal Institute of Chartered Surveyors issued a practice alert in March 2020, as a result of which valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation, resulting in disclosure in financial statements and “emphasis of matter” paragraphs in audit reports. By September 2020, RICS considered that there was no longer material uncertainty over valuations from that date, and therefore valuations at 31 March 2021 are not expected to be affected by material valuation uncertainties. However, the on-going financial impact of the pandemic has impacted valuations, both through demand for particular asset types and weakening the financial standing of tenants.</p> <p>The Council needs to consider its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Council should consider with their valuers the impact that COVID-19 has had on current value. The Council will also need to consider whether there are any indications of impairment of assets requiring adjustment at 31 March 2021.</p>
Valuation of investment properties	<p>Following the COVID-19 pandemic, the fair value measurements for financial instruments and investment properties held by the Council needs to be reviewed against the conditions and assumptions at the measurement date. Although volatility is lower relative to 31 March 2020, there have been significant market movements during the year which may impact valuations.</p>
Impact on pension fund investment measurement	<p>As a result of the COVID-19 pandemic pension fund investments have been subject to volatility. It is important to engage with the pension fund to not only gather information regarding year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.</p>
Expected credit losses	<p>Since 31 March 2020, there has been a significant downturn in economic activity, with many businesses and individuals significantly impacted. The Council will need to consider the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.</p>

# COVID-19 impact on the Statement of Accounts

Financial risk disclosures	The Council needs to report on the impact of financial pressures and its financial sustainability in the narrative report and the relevant liquidity reporting requirements under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.
Narrative and other reporting issues	<p>The following areas will need to be considered by local authorities as having being impacted by the COVID-19 pandemic.</p> <ul style="list-style-type: none"><li>• Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability.</li><li>• Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities.</li></ul>
Events after the reporting period	The economic environment and impact of the pandemic continues to be highly uncertain. The Council will need to consider the events after the Reporting Period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis. The nature of the COVID-19 pandemic will mean that the Council will need to continue to review and update these assessments up to the date the accounts are authorised for issue.

# Significant risks

## Significant risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement/estimate	Management paper expected	Slide no.
Inappropriate capitalisation of expenditure			D+I			16
Management Override of Controls			D+I			17

D+I: Assessing the design and implementation of key controls



Low level of management judgement/estimate



Moderate level of management judgement/estimate



High level of management judgement/estimate

# Significant risks

## Risk 1 – Inappropriate capitalisation of expenditure

---

**Risk identified**

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies within the capitalisation of expenditure in year.

This is because there is an inherent fraud risk associated with the recording of expenditure in order for the Council to report a more favourable year-end position. One way that Local Authorities can manipulate the expenditure outturn is through the inappropriate capitalisation of revenue expenditure. Based on our analysis, the Council has undertaken a material level of capital additions in year and as a result we believe that if the Council were to inappropriately record expenditure it would be through the inappropriate capitalisation of revenue items.

---

**Our response**

Our work in this area will include the following:

- We will obtain an understanding of the design and implementation of the key controls in place in relation to recording capital expenditure;
- We will perform focused testing in relation to capital expenditure in order to assess whether the value is disclosed accurately and it meets the definition of capital expenditure.

# Significant risks

## Risk 2 – Management override of controls

---

<b>Risk identified</b>	<p>In accordance with ISA 240 (UK), management override of controls is a significant risk due to fraud for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.</p> <p>The key judgements in the financial statements include those which we have selected to be the significant audit risk, (capitalisation of expenditure) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.</p>
<b>Our response</b>	<p>In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:</p> <ul style="list-style-type: none"><li>• We will test the design and implementation of key controls in place around journal entries and key management estimates;</li><li>• We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;</li><li>• We will review accounting estimates for biases that could result in material misstatements due to fraud; and,</li><li>• We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.</li></ul>

---

# Value for Money

## Areas of focus

---

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03, we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria:
  - **Financial sustainability:** How the body plans and manages its resources to ensure it can continue to deliver its services.
  - **Governance:** How the body ensures that it makes informed decisions and properly manages its risks.
  - **Improving economy, efficiency and effectiveness:** How the body uses information about its costs and performance to improve the way it manages and delivers its services;
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report (which replaces the Annual Audit Letter), setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to VfM arrangements, which might include emerging risks or issues.
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

The National Audit Office and the audit firms are continuing to discuss the practical implementation of these new requirements and expectations as to the extent of procedures underpinning these requirements, including the timetable required for VfM work and reporting for 2020/21. Expectations in this area are likely to continue to evolve as practical issues emerge in implementation.

Specific areas that we expect to focus on in understanding the Council's arrangements include the Council's response to the financial pressures from COVID-19 in 2020/21, and the Council's longer term planning for financial sustainability.

---



# Revisions to auditing standards coming into effect

## ISA (UK) 570 – Going concern

The Financial Reporting Council (FRC) issued a revised going concern standard in September 2019, that takes effect for periods commencing on or after 15 December 2019. For Local Government bodies, this will be March 2021 year ends and later.

The revision was made in response to recent enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

We have summarised below the key areas of change in the standard – however, the Public Audit Forum is also consulting on changes to Practice Note 10, with the intention of reflecting public sector considerations in the approach to going concern, and so the ultimate impact of ISA (UK) 570 changes will be affected by this.

The key changes affect:

- Risk assessment procedures and related activities, increasing consideration of the entity's business model, operations and financing
- The auditor's evaluation of management's assessment of the going concern assumption (which therefore requires a clearly documented assessment)
- Enhanced professional scepticism requirements, including around the evaluation of the sufficiency and appropriateness of audit evidence
- Considering the appropriateness of disclosures; and
- Reporting in enhanced audit reports.

*"The revised standard means UK auditors will follow significantly stronger requirements than those required by current international standards."*

FRC's press release, 30 September 2019

# Revisions to auditing standards coming into effect

## ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Since 2015, the International Auditing and Assurance Standards Board (IAASB) has sought to identify audit issues relating to accounting estimates for financial institutions and other entities. Initially, this focused on the impact of IFRS 9 *Financial Instruments*, because it would fundamentally change the way that banks and other entities account for loan assets and other credit exposures.

However, the IAASB concluded that most, if not all, issues identified for expected credit losses would be equally relevant when auditing other complex accounting estimates. Accordingly, a holistic revision of ISA 540 was undertaken and the new standard takes effect for periods commencing on or after 1 January 2020. For Local Government bodies, this will be March 2021 year ends and later.

We summarise on the next few slides how this will impact our audit.

*"There is a clear need to update ISA 540 to support better quality audits of increasingly complex accounting estimates"*

FRC letter to the IAASB, July 2017

Area of change	Impact on our audit	Impact on the Senior Officers
Assessment of oversight and governance relating to estimates	In connection with our planning work to understand the entity and its environment, including internal control, we will specifically inquire regarding management's processes, and the oversight and governance of those processes relating to accounting estimates.	You will need to consider the adequacy of your processes and controls over estimates, and documentation thereof.

# Revisions to auditing standards coming into effect

## ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Area of change	Impact on our audit	Impact on the Senior Officers
<p>Identification of inherent risk factors; separate assessment of inherent risk and control risk</p> <p>Objectives-based work effort requirements</p>	<p>Recognising a spectrum of inherent risk, we will assess risks of material misstatement in estimates with reference not only to estimation uncertainty, but also complexity, subjectivity or other inherent risk factors, and the interrelationship among them.</p> <p>We will specifically assess control risk relating to estimates, which may require us to evaluate the design and determine implementation of an increased number of internal controls. Our subsequent audit procedures will be responsive to this assessment, and designed to obtain evidence around the methods, significant assumptions, data and (where applicable) the selection of a point estimate and related disclosures about estimation uncertainty.</p>	<p>You will need to provide clear documented rationale for (a) the selection and application of the method, assumptions and data in making the accounting estimate, including any changes in the current year, and controls relating to those aspects; and/or (b) the selection of a point estimate and related disclosures for inclusion in the financial statements.</p>
<p>Enhanced “stand back” requirement, to evaluate the audit evidence obtained</p>	<p>We will specifically design our procedures, to enhance our application of professional scepticism, so that they are not biased towards finding corroborative evidence; our overall evaluation of the evidence obtained will weigh both corroborative and contradictory evidence.</p>	<p>You should expect more challenge of the evidence provided in support of accounting estimates, use of external data sources and your consideration of contradictory evidence.</p>

# Revisions to auditing standards coming into effect

## ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Area of change	Impact on our audit	Impact on the directors
Enhanced requirements about whether disclosures are “reasonable”	The extant ISA 540 required us to evaluate whether disclosures were “adequate”. The change to “reasonable” will involve greater consideration of the overall meaning conveyed through disclosures. For example, where estimation uncertainty associated with an estimate is multiple times materiality, we will consider whether the disclosures appropriately convey the high degree of estimation uncertainty and the range of possible outcomes.	You should expect more challenge on disclosures relating to estimates, particularly for where you have selected a point estimate from a range and those with high estimation uncertainty.
New requirements when communicating with those charged with governance	In accordance with ISA (UK) 260 and ISA (UK) 265, our communications from the audit have included significant qualitative aspects of your accounting practices and significant deficiencies in internal control. With the revised ISA (UK) 540, these communications will specifically include matters regarding accounting estimates and take into account whether the reasons for our risk assessment relate to estimation uncertainty, or the effects of complexity, subjectivity or other inherent risk factors.	You should expect increased reporting in relation to accounting estimates.

### Areas where we consider the impact to be greatest:

Key areas impacted will include property valuations, accruals and provisions.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our audit plan, includes our consideration of key audit judgements and our planned scope.

### Use of this report

This report has been prepared for the Audit Committee on behalf of the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

In the prior year, we communicated audit findings and control recommendations to management, and these will be followed up as part of our audit visits to assess how these have been addressed in the current year.

**Deloitte LLP**

Newcastle upon Tyne | September 2021

# Appendices





# Fraud responsibilities and representations

## Responsibilities explained



### **Your Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### **Our Responsibilities:**

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in capitalisation of expenditure and management override of controls as key audit risks for the Council.



### **Fraud Characteristics:**

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### **We will request the following to be stated in the representation letter signed on behalf of the Council:**

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

# Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### **Management:**

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.



### **Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



### **Those charged with governance**

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.



# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2021 in our final report to the Audit Committee.
Fees	There are no non-audit fees for 2020/21 outside of those noted in the table on the following page.
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

# Independence and fees (continued)

The professional fees expected to be charged by Deloitte in the period from 1 April 2020 to 31 March 2021 are as follows:

	Current year £	Prior year £
Financial statement audit including Whole of Government Accounts [1]*	36,729	36,729
New value for money arrangements [2]*	TBC	-
<b>Total audit</b>	<b>36,729</b>	36,729
Housing Benefits certification	-	10,500
<b>Total assurance services</b>	<b>-</b>	<b>10,500</b>
<b>Total fees</b>	<b>36,729</b>	<b>47,229</b>

[1] The fee reflected here is the scale fee. In line with recent PSAA correspondence that scale fees should be negotiated by each s151 officer based on the individual circumstances of each body, we will be looking to discuss with the Council the current level of fee.

[2] We expect the fee for the work under the new Value for Money arrangements to be in the range of £5-10k.

\* All additional fees are subject to agreement with PSAA.

# Our approach to quality

## AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC's findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three

inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

# Our approach to quality

## AQR team report and findings

### The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

# Our approach to quality

## AQR team report and findings

### Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets

#### How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We refreshed our Impairment Centre of Excellence ("COE") to establish clear partner leadership and introduced frequent communication touchpoints to share best practice, hot topics and technical updates.
- We performed a risk focused strategic allocation of impairment specialists for a selection of December 2020 audit engagements, taking into account industry knowledge and experience. Going forward we will seek to involve the EQCR partner to determine whether the allocated specialist should have industry knowledge or whether generalist knowledge would provide an enhanced independent challenge to an industry focused engagement team.
- We will update our impairment guidance notes and consultation document to include specific risk criteria which require further discussion with a panel of specialists, including, but not limited to, where the audit team develop their own model or where cashflow forecasts extend beyond a commonly used period.
- The launch of the Digital Blueprint project management tool will assist teams in prioritising their time across all areas of the audit.
- We will hold workshops with our partners and directors to bring to life the common causes that have led to FRC findings and to ensure greater consistency in expectations in respect of the expected depth of review.
- We have introduced a new coaching program to support the development of primary reviewing skills and to identify any reviewing skills gaps which need addressing.

- To respond to the poor quality and untimely preparation of information by the company for audit, we expect, where appropriate, to increase the communication with management and those charged with governance so that there are clearer expectations in respect of the quality of information prepared for audit.
- We have updated our impairment template memo to reflect the most recent inspection findings we will develop additional training materials on hot topics and areas of regulatory focus, for example, guidance to assist in the challenge of cash flow assumptions and cost reduction initiatives.
- We also developed a new template to support teams in auditing accounting estimates in response to the requirements of ISA (UK) 540 revised 'Auditing Accounting Estimates & Related Disclosures'.

#### How we addressed this area in our audit

- As part of our audit for the current year we adapt our audit approach to address the new requirements under ISA 540 specifically in relation to property valuations and the Local Government pension scheme disclosures.

# Our approach to quality

## AQR team report and findings

### Enhance the consistency of group audit teams' oversight of component audit teams

#### How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We have appointed a partner who, together with a number of experienced directors, will lead a series of coaching workshops where we will walk through and discuss good practice examples (including those noted from external reviews) of how audit teams have undertaken group audits together with examples of where pitfalls have been identified. Those workshops will be attended by engagement teams to ensure a range of audits are covered and that those teams can also take learnings to their other group audits.
- We will also refresh our practice aid to develop a reference point for those good practice examples and learnings from the inspection cycle that will be made available to all audit practitioners. We also intend, as part of identifying good practice examples, to share templates that audit teams can use to evidence the communications held throughout the audit process with component audit teams. This will help to demonstrate the required oversight and direction performed by the group audit team by evidencing in detail the interaction / challenge / resolution of issues with component teams.

- We issued a reminder of the EQCR requirements with respect to the need to hold discussions with Key Audit Partners of material subsidiaries in our January 2021 EQCR briefing which was delivered to all EQCR reviewers.
- We have regularly communicated the FRC findings, including those on group audits to the wider audit practice during the inspection cycle through our National Accounting & Audit digest emails to ensure that audit teams who might be affected by the findings are fully briefed.

#### How we addressed this area in our audit

- This area is not relevant to our audit of Fylde Council.

# Our approach to quality

## AQR team report and findings

### Strengthen the effectiveness and consistency of the testing of revenue

#### How we have addressed this area as a firm

To address this finding, we have done the following:

- We included a 'Substantive Analytical Review ("SAR") revenue deep dive' in our mandatory monthly professional training update in September 2020. This focused on appropriate planning, testing requirements including use of independent data sources and threshold calculations and how to avoid common pitfalls.
- Included a mandatory session on auditing revenue, which included the use of SAR within our Engagement Team Based Learning ("ETBL") coaching sessions for the 2020 programme. This focused teams on the overall approach taken in order to ensure that our teams understood transaction flows and that audit tests were designed appropriately.
- In late 2020 we updated the guidance given to consulted parties about how to respond to the consultations audit teams are required to undertake when using the audit regression software analysis to audit both revenue and cost of sales. This was to ensure that the consulted parties were being provided with all the relevant facts and circumstances when evaluating the appropriateness of using the software to assist us in performing substantive analytical procedures on both account balances in this way.

- We have held additional training sessions for our manager group which focused on reviewing skills with the aim of improving the quality of primary reviews undertaken. This will ensure appropriate focus is being placed on the review of areas where substantive analytical review is performed.

We also plan to do the following:

- For December 2021 year ends, we have introduced a new policy, which applies to listed and PIE entities in the UK and requires teams to identify and test the operating effectiveness of relevant controls for material revenue streams. Our main annual training ("TechEx"), includes a learning journey, comprised of various modules on internal controls, including a focus on the new policy as a hot topic, a deep dive session on revenue review controls, and a module on evaluating General IT Control deficiencies.
- The Deloitte Substantive Analytic Review Guide is also being updated to incorporate our learnings from these audit inspections.

#### How we addressed this area in our audit

We have rebutted the presumed significant risk in relation to revenue recognition as noted on page 16.

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	6

### REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2020/21

#### PUBLIC ITEM

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

#### SUMMARY

Please note that the REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2020/21 report is TO FOLLOW.



## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
CHIEF FINANCIAL OFFICER	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	7
<b>ANNUAL STATEMENT OF ACCOUNTS 2020/21</b>			

### PUBLIC ITEM

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

### SUMMARY

Please note that the ANNUAL STATEMENT OF ACCOUNTS 2020/21 report is TO FOLLOW.

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	8
<b>MANAGEMENT REPRESENTATION LETTER 2020/21</b>			

### PUBLIC ITEM

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

### SUMMARY

- Following the conclusion of the audit of accounts the Council is required to provide the external auditor with a statement confirming that the Council has acted properly and with due regard to appropriate regulations and guidance in the preparation of financial statements and that all material items have been disclosed to the auditors and all reasonable measures taken to minimise fraud and error. This statement is referred to as the 'Management Representation Letter'. The letter showing the full detail of the statement is attached at Appendix A to this report.
- Once agreed the Management Representation Letter must be signed on behalf of the Authority by the Chief Financial Officer and by the Member presiding at the meeting of the Audit and Standards Committee (the Chair or Vice-Chair), that being the body delegated by Council to consider and approve the Statement of Accounts in line with the Accounts and Audit Regulations 2015. The signed Management Representation Letter will then be provided to Deloitte.

### RECOMMENDATION

- The Audit and Standards Committee is recommended to agree that the Management Representation Letter is signed by the Chief Financial Officer and by the Member presiding at the meeting of the Audit and Standards Committee (the Chair or Vice-Chair) and is then provided to Deloitte.

### SUMMARY OF PREVIOUS DECISIONS

There are no previous decisions relating to the Management Representation Letter for 2020/21.

### 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

To consider the Management Representation Letter for 2020/21 which is attached at Appendix A to this report.

IMPLICATIONS	
Finance	There are no financial implications arising from the recommendations contained in this report.
Legal	Completion of the Management Representation Letter for 2020/21 is required by the council's external auditors Deloitte as part of the audit of accounts process. This ultimately ensures that the Council is able to approve the Statement of Accounts in line with the Accounts and Audit Regulations 2015, as amended.
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	September 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

Attached documents

Appendix 1 - Management Representation Letter 2020/21



Deloitte LLP  
2 Hardman Street  
Manchester  
M3 3HF

Our Ref:

Your Ref: PH/EG/2021

Please Ask For: Paul O'Donoghue

Telephone: 01253 658566

Email: paul.o'donoghue@fylde.gov.uk

Date: 30 September 2021

Dear Engagement Lead

This representation letter is provided in connection with your audit of the financial statements of Fylde Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Fylde Borough Council as of 31 March 2021 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code").

We confirm, to the best of our knowledge and belief, the following representations.

*Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code").
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures, including those assessing the impact of Covid-19 on the Council, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and

in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.

6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including principal conditions or events and our plans. In making our going concern assessment we have adopted the 'continuing provision of service' approach and accordingly we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. There are no circumstances that we are aware of that would affect the appropriateness of the 'continuing provision of service' approach. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled and deferred income to the extent that they have not.
8. We acknowledge our responsibility for the preparation of the other information included in the Statement of Accounts. The other information comprises the Narrative Report and the Annual Governance Statement.
9. We confirm that the content contained within the Narrative Report and the Annual Governance Statement is consistent with the information presented in the financial statements, and has been prepared in accordance with relevant legislation.
10. With respect to the revaluation of properties in accordance with the Code:
  - a. the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
  - b. the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council where relevant to the accounting estimates and disclosures;
  - c. we confirm that the effects of the Covid-19 pandemic have been fully considered by our valuation experts and are reflected in the property valuations disclosed in the financial statements;
  - d. the disclosures are complete and appropriate; and
  - e. there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
11. We have considered the valuation of the Council's Property, Plant and Equipment that have not been subject to revaluation in year, and are not aware of any circumstances indicating volatility in asset values that would suggest the carrying value is materially misstated as a result of it not being revalued.
12. With respect to pensions we confirm that:
  - a. all retirement benefits and schemes, including funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  - b. all settlements and curtailments have been identified and properly accounted for;
  - c. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
  - d. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
  - e. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and

f. the amounts included in the financial statements derived from the work of the actuary are appropriate.

*Information provided*

13. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of the audit; and
- c. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

14. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

15. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

17. We are not aware of any fraud or suspected fraud that affects the Council and involves:

- (i) management;
- (ii) employees who have significant roles in internal control; or
- (iii) others where the fraud could have a material effect on the financial statements.

18. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

19. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements

20. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

21. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.

22. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

23. We confirm that:

- (i) we consider that the Council has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

- (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

Value for Money

24. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.

25. We are not aware of any deficiencies in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

**Cllr Eleanor Gaunt**

Chair of the Audit and Standards Committee

Date .....

**Paul O'Donoghue**

Chief Financial Officer

Date .....

## Appendix 1

### Schedule of Uncorrected Misstatements

Description	Surplus on provision	Assets	Liabilities	OCI/ Reserves
	of services	DR / (CR)	DR / (CR)	DR / (CR)
	DR / (CR) £k	£k	£k	£k
TO BE CONFIRMED				

DRAFT



## Disclosure deficiencies:

#	Disclosure title	Description of the deficiency and explanation of why not adjusted	Amount (if applicable)
	To be confirmed		

DRAFT

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	9
<b>CONSTITUTION AMENDMENT – TERMS OF REFERENCE – PLANNING COMMITTEE</b>			

### PUBLIC ITEM

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

### SUMMARY

In line with its constitutional role to review and recommend amendments to Council, the Committee is asked to consider an amendment to the terms of reference of the Planning Committee.

### RECOMMENDATIONS

1. To recommend the proposed amendment to the terms of reference of the Planning Committee (Section 2, Part 3 of the Council's Constitution – Responsibility for Functions), to Council.

### SUMMARY OF PREVIOUS DECISIONS

#### Audit and Standards Committee – 20 May 2021

Item 5 - Constitution Amendment – Terms of Reference - Committees

It was RESOLVED to recommend the proposed amendments to the terms of reference of the committees (Part 2 and Part 3 of the Council's Constitution – Responsibility for Functions) to Council.

#### Council – 7 December 2020

Item 13. Constitution Amendment – Terms of Reference - Committees

It was RESOLVED to approve the recommended proposed amendments to the terms of reference of the committees (Part 2 and Part 3 of the Council's Constitution – Responsibility for Functions), as reported by Councillor Singleton.

#### Audit and Standards Committee – 26 November 2020

Item 12. Constitution Amendment – Terms of Reference – Committees

It was RESOLVED to recommend the proposed amendments to the terms of reference of the committees (Part 2 and Part 3 of the Council's Constitution – Responsibility for Functions), as they appear at Appendix A, to Council.

#### Audit and Standards Committee - 19 January 2017

Item 4. Governance Review

To add the following wording to the constitution under the remit of the Operational Management Committee; "Considering reports, reviewing and formulating where necessary policies relating to building control and land charges"

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 suggested amendment is put before Audit and Standards Committee for consideration relating to the Planning Committee with regards to its role in the management of land and property.
2. In Part 3 of the Council's Constitution, Responsibility for Functions, two of the programme committees (Tourism and Leisure and Operational Management) include the following term of reference:  
*To consider any management issues arising in relation to land or property within the remit of the committee*
3. Meanwhile the Finance and Democracy Committee has a slightly different term of reference:  
*To manage any land and property owned by the council and not specifically held for the purposes of another committee*
4. The above allows each committee to manage, adopt or dispose of land or property in the discharge of their wider terms of reference. This was brought about following the move to a committee system of democracy which replaced the Cabinet model used up to 2015.
5. To date this approach has worked well with each of the above committees considering a number of reports relating to land and property under their control.
6. However, there are two major committees that do not have this authority (Environment, Health and Housing and Planning).
7. The Environment, Health and Housing Committee no longer has any direct responsibility for land and property following the transfer of the Lytham Park Cemetery and Crematorium to the Operational Management Committee in 2020.
8. The Planning Committee meanwhile has responsibility for the delivery of economic regeneration initiatives and is currently overseeing the [Kirkham Futures](#) programme which includes the need to manage, purchase and dispose of land and property. As the committee does not currently have the authority to manage any land or property it is suggested that the following be added as an additional term of reference in Section 2, Part 3 of the Council's Constitution – Responsibility for Functions:

*To consider any management issues arising in relation to land or property within the remit of the committee*

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul Walker	<a href="mailto:paul.walker@fylde.gov.uk">paul.walker@fylde.gov.uk</a> Tel 01253 658431	10 August 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Constitution	May 2021	<a href="https://fylde.cmis.uk.com/fylde/ConstitutionGovernanceMatters.aspx">https://fylde.cmis.uk.com/fylde/ConstitutionGovernanceMatters.aspx</a>

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	10
<b>INTERNAL AUDIT PROGRESS REPORT</b>			

### PUBLIC ITEM

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

### SUMMARY

This report provides an update to the Audit & Standards Committee in respect of the progress made in against the Internal Audit Plan for 2021/22 and draws attention to matters relevant to members responsibilities.

### RECOMMENDATION

1. To receive, consider and comment on the Internal Audit Progress Report which is attached to this covering report.
2. Approve the change in the timing of the S106 review from quarter 2 to quarter 4.

### SUMMARY OF PREVIOUS DECISIONS

Internal Audit Plan 2021/22 approved by the Audit and Standards Committee on 15<sup>th</sup> July 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	✓

### REPORT

1. The attached report has been prepared by the Council's internal auditors, MIAA. It provides an update to the Audit and Standards Committee in respect of the assurances, key issues and progress against the Internal Audit Plans 2021/22. Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request.

2. This paper also sets out the completion of the most recent phase of follow-up reviews for recommendations from Moderate and Limited Assurance Reports that had reached their agreed deadlines.
3. MIAA will present the report to the meeting.

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Sandra Cudlip	<a href="mailto:sandra.cudlip@miaa.nhs.uk">sandra.cudlip@miaa.nhs.uk</a>	September 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Plan	15 July 2021	Internal Audit Team

Attached documents

Appendix 1 - Internal Audit Progress Report

# Internal Audit Progress Report Audit & Standards Committee (September 2021)

Fylde Borough Council

# Contents

## 1 Introduction

## 2 Key Messages for Audit & Standards Committee Attention

### Appendix A: Contract Performance

### Appendix B: Performance Indicators

### Appendix C: Key Areas and Actions to be Delivered

### Appendix D: Follow-up of Previous Audit Actions

### Appendix E: Assurance Definitions and Risk Classifications

## Your Team

Name	Role	Contact Details
Sandra Cudlip	Engagement Lead	Sandra.Cudlip@miaa.nhs.uk 07825 606054
Fiona Hill	Engagement Manager	Fiona.Hill@miaa.nhs.uk 07825 592842

## Limitations

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



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

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

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

## 1 Introduction

This report provides an update to the Audit & Standards Committee in respect of the progress made in against the Internal Audit Plan for 2021/22 and brings to your attention matters relevant to your responsibilities as members of the Audit & Standards Committee.

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

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

This progress report covers the period 1 April – 16 September 2021.

## 2 Executive Summary

There has been the focus on the following areas:

### 2021/22 Audit Reviews

The following reviews have been finalised:

- Operational Services and Parks Departments – Vehicle and Equipment Asset Disposals (Limited assurance level)

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

The reviews below are currently in progress:

- Risk Management (fieldwork)
- Housing Benefits (fieldwork)
- Disabled Facilities Grant (fieldwork)
- Corporate Health & Safety (fieldwork)
- Treasury Management (planning)
- Key Financial Controls (planning)
- Cyber Security (planning)
- Data Sharing Protocols (planning)

Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2021/22.

Appendix B provides information on Internal Audit performance.

Follow Up	<p>A summary of the current status of moderate and limited assurance rated reports follow-up activity is included in Appendix D, however, we would draw the committee's attention to the following:</p> <ul style="list-style-type: none"><li>• 75 out of 114 recommendations have been completed, supersede, are in progress or are not yet due.</li><li>• 39 actions remain outstanding, some of which have been delayed due to Covid-19.</li></ul>
Audit Plan Changes	<p>Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p> <ul style="list-style-type: none"><li>• S 106 Review to be moved from Qtr 2 to Qtr 4 due to resourcing issues at the Council.</li></ul>
Insights	<p><a href="#">Collaborative Masterclass Events</a></p> <ul style="list-style-type: none"><li>• <a href="#">Political Leadership: Learning How Democratic and Participatory Approaches Make a Difference Across Public Services</a> (16<sup>th</sup> September 2021)</li><li>• <a href="#">The energised workplace: Designing Work So That People Flourish</a> (14<sup>th</sup> September 2021)</li></ul>

## Appendix A: Contract Performance

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

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2021/22:

HOIA Opinion Area	Status	Assurance Level
Risk Management		
Risk Management	In progress	
Risk Based Assurances		
Vehicles and Equipment Asset Disposals	Completed	Limited
Disabled Facilities Grant	In progress	
Housing Benefits	In progress	
Health & Safety	In progress	
Third Party Assurance	Qtr 3	
Property Repairs and Maintenance	Qtr 3	
Data Sharing Protocols	Planning	
Cyber Security	Planning	
Project Management	Qtr 3	
Treasury Management	Planning	
Property Repairs and Maintenance	Qtr 3	
NNDR & Council Tax	Qtr 4	
Key Financial Controls	Planning	
S106	Qtr 4 (Terms of Reference Agreed)	
COVID Support	TBC	

HOIA Opinion Area	Status	Assurance Level
Follow Up		
Qtr 1	Completed	N/A
Qtr 2	Completed	
Qtr 3	Scheduled Qtr 3	
Qtr 4	Scheduled Qtr 4	
Management		
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement	Ongoing	N/A
Covid Support		
Planning and Management		
Reporting and Meetings		
Contingency		

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

## Appendix B: Performance Indicators

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

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Ongoing	Green	Link to questionnaire included within each audit report.
Percentage of recommendations raised which are agreed	Quarterly	Green	Actions agreed by the Council on all recommendations raised.
Percentage of recommendations which are implemented – reports issued prior to April 2021	Quarterly	Amber	Most recommendations have been implemented or are in progress. For most of those outstanding, implementation has been delayed as a result of COVID-19.
Percentage of recommendations which are implemented - reports issued post April 2021	Quarterly	N/A	Recommendations not yet due for follow up
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public

Element	Reporting Regularity	Status	Summary
			Sector Internal Audit Code of Ethics.

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

Report Title	Operational Services and Parks Departments – Vehicle and Equipment Asset Disposals			
Executive Sponsor	Director of Resources			
Objective	The overall objective was 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.			
Assurance Level	Limited Assurance			
Recommendations	0 X Critical	2 x High	4 x Medium	1 x Low
Summary	<p>This review was added to the audit programme at the request of council management as a result of a delay in banking the proceedings of an auction brought to their attention. As a result, we were requested to examine what controls needed to be strengthened with respect to the organisation's system for vehicle and asset disposals.</p> <p>We found that there was a series of local agreements which had been developed over time, which had become custom and practice. There was a consequent reliance on the Fleet Manager to control the processes from the initial identification of the assets for disposal to receipt of proceeds. These working practices presented a risk to both the council and the individual officer and increased the risk of potentially fraudulent activity.</p> <p>We suggested a number of key actions as a result, which have been agreed by the council's management, in order to strengthen control measures going forward.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

## Appendix D: Follow up of previous internal audit recommendations with Moderate or Limited Assurance levels

AUDIT TITLE (YEAR ISSUED)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				Comments
			✓/S	P	X	Not due	
Risk Management (2019/20)	7	Moderate	7	-	-	-	All actions have been superseded by the current Risk Management Review in progress.
Equipment Inventories (2020/21)	7	Limited	6	1	-	-	There is one action outstanding, which is in progress and is expected to be completed shortly.
Commercial Property (2019/20)	9	Limited	1	3	5	-	Access to properties and HM Land Registry have been impacted by Covid-19 restrictions and therefore has resulted in the delay of the implementation of actions.
Inspection and Maintenance of Trees (2018/19)	9	Limited	2	7	-	-	A Tree Officer has been appointed and is progressing the actions.
GDPR (2019/20)	16	N/A	9	-	7	-	The outstanding actions are largely policy related
Environmental Permitting Regs (2019/20)	6	Limited	3	-	3	-	Covid-19 has resulted in the delay of the implementation of the actions, along with the lack of courses available for training.
Fuel Consumption (2019/20)	9	Limited	8	1	-	-	Covid-19 has resulted in the delay of the implementation of the action.
Event Management (2019/20)	15	Limited	15 (TBC)	-	-	-	We were informed that the actions have been completed as part of the recent Lytham Kite Festival Event. However due to pressures of the Festival at the time of the work we have not yet obtained evidence of completion.
Contract Procedure Rules (2020/21)	5	Moderate	1	-	4	-	Covid-19 has resulted in the delay of the implementation of the actions.
Sundry Debtors (2019/20)	8	Moderate	1	-	7	-	Completion of the actions has been postponed until March 2022.
VAT (2019/20)	3	Moderate	-	-	3	-	Completion of the actions has been postponed until March 2022.
Heritage Assets (2019/20)	5	Moderate	-	-	5	-	We were unable to obtain information as the staff responsible were working on the Lytham Kite Festival.
Homeless Reduction (2019/20)	5	Moderate	3	-	2	-	Covid-19 has resulted in the delay of the implementation of the actions.



AUDIT TITLE (YEAR ISSUED)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				Comments
			✓/S	P	X	Not due	
Payroll (2020/21)	10	Moderate	4	1	3	2	Covid-19 has resulted in the delay of the implementation of the actions.
TOTALS	114		60	13	39	2	

Key to recommendations:

- ✓/S Implemented or Superseded
- P Partially implemented/recommendation in progress
- X Recommendation not implemented
- ND Not due for follow up

## Appendix E: Assurance Definitions and Risk Classifications

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

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

## INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	11
<b>UPDATE ON THE STRATEGIC RISK REGISTER</b>			

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

This Information item gives a progress update on the risks contained within the Strategic Risk Register (SRR). The SRR was presented to the Audit and Standards Committee in March 2021 and detailed the risks alongside any existing control measures.

The colour coding of the risk scores are as follows:

Green Risks = Low Risks

Yellow Risks = Medium Risks

Red Risks = High Risks

The risk register has been reviewed by the Strategic Management Group with no new risks added but some actions amended to better reflect the mitigations or controls required. The residual risk score has been amended where necessary to reflect any changes.

All remaining actions are in progress and an update will be provided to the Committee at a future meeting.

### SOURCE OF INFORMATION

Strategic Risk Management Group

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

The Audit and Standards Committee Terms of Reference states that the committee monitors the effective development and operation of risk management in the council. This report supports the Committee in undertaking this role.

### FURTHER INFORMATION

Contact: Ian Curtis 01253 658506

## Fylde Council - Strategic Risk Register 2021-22

Risk	Risk Description	Inherent Risk Score	Existing Control Measure	Existing Control Measure Description	Residual Risk Score	Action Plan Title	Action Plan Description	Action Date	Target Risk Level
Commercial Strategy	Failure to embrace Commercial Strategy	16	Member approval of Commercial Strategy	Member approval and support of the Commercial Strategy	12	Commerical Strategy	Commercial Strategy will be revised as defined in the Council's Coronavirus Recovery Plan	30/09/2021	4
						Review and Monitor Commercial Outcomes	Establish SMART measures and reporting mechanism	31/03/2022	
						Commercial schemes	Identify schemes which are commercially viable and opportunities to maximise income streams (existing and new)	31/03/2022	
Enforcement	Increased pressure on enforcement resource in relation to licensing / PSPOs / beggars / Travellers / planning issues	9	New Enforcement Team	The Council's arrangement with District Enforcement came to a close on December 25 <sup>th</sup> 2020. Members took a view that the approach of zero-tolerance through the issuing of fixed penalty notices should be replaced with an in-house service focused on education first, with enforcement to be used as a latter tool. Members have subsequently agreed this approach and a team of six has been created and fully staffed. Of the team of six, three of the posts are permanent with the remaining three on temporary contracts. The success of the team will be reviewed as part of the 2021/22 budget process with a view to consider if the three temporary posts will be fully funded going forward. Policies and procedures to develop the work of the team have been developed.	6	Education & Enforcement	To establish a new enforcement team, review its effectiveness and report results to the Operational Management Committee at its meeting in November.	30/11/2021	4
			Inspections / Liaison	Regular inspections of Hardhorn Travellers Site and liaison with residents					
	Potential for a unitary council / LCC dissolve during 20/21. Levelling		Consultations	Participation in consultation process at the appropriate time.					

Fylde Council / Lancashire County Council	Up White paper expected Autumn 21 with options for local government reorganisation	9	Engagement	Engagement with Lancashire Leaders discussions and dialogue with potential partners.	6				6
ICT Systems	Failure to support Council priorities through ineffective ICT systems	16	ICT Strategy	ICT Strategy in place	9	Review of the current systems	The Strategic Group which is led by the two Directors together with the Section 151 Officer meets on a regular basis. During 2020/21 the procurement of a new planning system was completed and this is now at the implementation stage and this will run into 2021/22. An estates management system has also been procured. The Group will continue to meet throughout the year.	31/03/2022	6
			Digital Transformation	Digital Transformation agenda in place		Network resilience / capacity	To undertake a review to ensure that the Council's reliance and capacity arrangements meet future needs.	31/03/2022	
Infrastructure	Lack of infrastructure in local areas to meet residents needs	9	Local Plan	Local Plan approved	4	No Actions needed - Risk at acceptable level			4
			Planning Conditions and S106 Agreements	Planning Conditions and S106 Agreements					
LCC Funding Cuts	Funding cuts impacting upon FBC residents	12	Relationships / Consultations	Respond to consultations regarding future changes which impact upon residents	12	No Actions needed - Risk at acceptable level			12
			Horizon scanning	Keep abreast of developments and the impact it may potentially have on local residents					
			Service delivery	Ensure that FBC has a responsive / flexible services to meet the changing needs					
Management of key assets	Failure to manage council owned key assets	12	Asset Management Strategy	Asset Management Strategy	6	No Actions needed - Risk at acceptable level			6
			Experienced Estates Officer	Estates officer in post					
			Commercial Strategy	Commercial Strategy					

Procurement	Failure to achieve value for money / non compliance with Contract Procedure Rules / lack of corporate co-ordination / missed opportunities	9	Details of capital expenditure in committee reports	Details of capital expenditure in committee reports	6	Procurement Strategy	Review of Procurement Strategy to be completed during the course of the year. This will build upon work already completed by the newly appointed Procurement Officer – work completed to date is a revision of the contract procure rules together with a revision to the contracting and tendering guide.	31/03/2022	4
			External Audit opinion	External Audit favourable value for money opinion		Establish a cross service procurement group	Procurement Group to review FBC's procurement processes to include Strategy / Guidance Use of the Chest Compliance with Standing Orders / Regulations Value for Money Contracts Register	31/03/2022	
			Procurement Officer	Procurement officer in post					
Recruitment / Succession Planning	Failure to have a skilled workforce to deliver council priorities	16	Job Evaluation process	Job Evaluation process	12	Recruitment Policy	Development of Recruitment Policy to standardise the process incorporating a review of job descriptions and personnel specifications	31/03/2022	6
			Apprenticeships	Use of apprentices throughout the authority		Apprentice Strategy	Development of an Apprentice Strategy	31/03/2022	
			Appraisal process	Annual appraisal process		Review and rebrand the Competency Framework (incorporating corporate values)	Review and rebrand the Competency Framework (incorporating corporate values)	31/03/2022	
			Competency Framework	Core competency framework					

COVID 19	Failure to react to the changing service demand due to the recovery of COVID 19 (incorporating our role to support employees / the community / businesses / financial impacts)	12	Government guidance	Adherence to both national and LRF guidance	9	Guidance	Guidance to be kept under continuous review and appropriate actions taken* subsequently announced that all restrictions will be lifted with effect from 19 July 2021	30/06/2021	
			Community Hub	Setting up of Community Hubs to support the vulnerable in society		Community Hub	Community Hub to remain operational to support those self-isolating as a result of track and trace requirements. To keep this under periodic review.	31/12/2021	
			Business Support	Delivery of both the Business Support and Discretionary Grant to support the local economy and advisory visits and information provided to businesses upon re-opening		Business Support	Continue to provide reassurance support in community and business settings in light on any further guidance from Govt	31/12/2021	
			Employees	Staff advised to socially distance as far as practical and to work from home where possible. Risk Assessments undertaken on buildings and Health & Safety measures implemented		Employees	Keep under review any guidance / feedback etc to ensure that employees feel confident to return to the workplace. Consultation with all employees currently underway to determine the working arrangements for the next three months of home working, office based or a combination to suit the needs of the service and the individual. Precautions still to be exercised in council facilities with hand sanitisation facilities, screens and advisory notices.	31/12/2021	
			Communications	Use of all forms of media coverage to enforce key messages to officers , members and the wider public and business community		Communications	Keep guidance / regulations from govt / professional bodies / partner agencies under constant review to ensure key messages are relayed as appropriate.	31/12/2021	

Kirkham Futures Regeneration Programme	Failure to deliver the multi-stranded programme within the agreed timeframes	16	Member approval and support for the scheme in principal	Member approval and support for the scheme	12	Staffing resource	Undertake recruitment to provide additional support and resources	Dec-21	8
			Programme Board in place	Meets monthly					
			Planning Committee oversee delivery of the programme	Regular reporting to committee					
			Quarterly returns to Historic England for HAZ	Meets monthly		Project delivery plans	Refine and agree project delivery plans for each individual scheme within the programme	Nov-21	
			Regular meetings with Historic England for HAZ	Meets monthly					
			HAZ Risk Log	Historic England require that a risk log is maintained as part of the terms of the HAZ Grant Award		Budgetry control	Establish a robust budget protocol to monitor anticipated spend against actual spend	Oct-21	
			MHCLG monitoring	A spending profile has been agreed with NHCLG with quarterly returns provided to allow them to monitor FHSF expenditure against projected budgets					
			Staffing structure approved	Agreed at Planning Committee					
			Procurement	All procurement is in line with council procedures					



## INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	12
<b>REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS</b>			

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to September 2021, there were no authorised operations.

### SOURCE OF INFORMATION

Director of Resources

### INFORMATION

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

Quarter	Directed surveillance	CHIS	Total	Purpose
20 May 2021 – 29 September 2021	0	0	0	

Figures correct when report published. Officers will verbally update members if the figures have changed by the date of the meeting.

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

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

### FURTHER INFORMATION

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

## INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED SERVICE	AUDIT AND STANDARDS COMMITTEE	29 SEPTEMBER 2021	13
<b>CORPORATE FRAUD TEAM UPDATE</b>			

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.

As responsibility for Housing Benefit fraud investigation passed to the Department for Work and Pensions (DWP) on 1st June 2015, the Council made a decision to partner on a Corporate Fraud Team, hosted by Preston City Council and shared between Preston, Lancaster and Fylde Councils. There is a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Council Tax Support, Council Tax, Business Rates and other areas of fraud committed against the authority.

The Corporate Fraud, or Corporate Enquiry Team (CET) as it is also known, also works in partnership with the Housing Department (Lancaster) and other Social Housing providers to investigate tenancy fraud.

This report details performance and counter fraud activity undertaken by the CET during 2020/21 in this specialist area of work.

### SOURCE OF INFORMATION

Internal.

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

No decision required. Members are recommended to note the content of this report, relating to the counter fraud activities of the Corporate Enquiry Team during financial year 2020/21.

### FURTHER INFORMATION

Contact: Haley Garstang, Corporate Fraud Manager. Tel: 01772 906388 Email: h.garstang@preston.gov.uk

## **OBJECTIVES**

The objectives of the Corporate Enquiry Team are to:-

- Protect public funds
- Undertake fraud prevention measures
- Detect and stop fraud
- Increase fraud awareness
- Implement sanctions in accordance with Council prosecution policies
- Ensure that investigations comply with the regulatory environment
- Recover properties from fraudsters to enable re-housing of those identified as most in need of social housing
- Encourage a strong culture of good performance in relation to cost
- Promote the principles of fairness, equality of opportunity, social inclusion and poverty reduction through service provision
- Embrace partnership working to enable the delivery of an excellent service, whilst achieving savings based on economies of scale, reductions in duplication and financial savings to the authority

## **STAFFING**

The Corporate Enquiry Team was established 1<sup>st</sup> June 2015 and currently consists of seven staff, including a Manager, one full time Investigator, one part time Investigator, one full time Compliance Officer, one full time Enforcement Officer/Investigator, one Administrative Officer and a part time Apprentice. The staff continue to be employed by Preston City Council and resources are shared between the three authorities providing Fylde with full time equivalent (FTE) staff resources of a Manager (0.2), Investigators (0.3) and a Compliance/Administrative Officer (0.4).

## **SHARED SERVICES**

Preston City Council made a bid for corporate counter fraud funding from the Department for Communities and Local Government (DCLG) based on a shared service with Lancaster City Council and Fylde Borough Council and was initially awarded £125,750 to help fund the costs of the new service. This team replaced the former benefit fraud team that previously operated between the three councils.

## **PARTNERSHIP WORKING**

The Corporate Enquiry Team strives to prevent and detect as much fraud against the Council as possible, working with outside agencies such as DWP, HM Revenues and Customs, Police and Immigration where appropriate. Joint working with the Department for Work and Pensions on cases involving Council Tax Support and national benefits has re-commenced on 29th April 2019 however, the Covid19 Pandemic has seen DWP investigators redeployed to priority benefit processing services temporarily.

The team has an excellent working relationship with Lancashire Police, participating in Operation GENGA, a Home Office led multi-agency operation to help tackle serious and organised crime. This demonstrates our commitment to tackle fraud on a larger scale and other related crimes in partnership with external agencies.

The Corporate Enquiry Team are active members of NAFN (National Anti-Fraud Network). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers;
- Acting as the hub for the collection, collation and circulation of intelligence alerts;
- Providing best practice examples of processes, forms and procedures.

The team are also members of the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre in order to share best practice and receive information on counter fraud initiatives. The team works closely with Lancashire and Greater Manchester Local Authorities and meets regularly with other counter fraud practitioners to discuss common counter fraud issues and best practice.

## PERFORMANCE

From 1st April 2020 to 31st March 2021 the Corporate Enquiry Team found overpayments totalling £63,066.75.

The team has introduced an additional methodology to clarify counter fraud performance. When a claim for an allowance, discount, reduction, benefit or exemption ends or reduces as a result of an intervention by the CET, the value of the intervention is not just the amount of any overpayment that has occurred. It is recognised that there is also a “future” saving, resulting from preventing further incorrect payments being made.

In these cases the weekly amount of reduced entitlement that is applied following a counter fraud intervention is multiplied by 52. It is reasonable to believe that the award would have continued for an average of one year, had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group.

The weekly figure for Fylde Council is £824.25, providing estimated “future” savings for 2020/21 of £42,861.00. It should be noted that “future” savings can only be estimated, but it helps to demonstrate additional benefit to the Council of undertaking counter fraud work.

Performance data is detailed in Appendix A to this report.

A Management checking regime is in place, structured to monitor performance and compliance with legislation. This process includes:-

- 1-2-1's with all fraud staff at least three times a year to discuss the officer's full caseload, giving advice and direction, identifying inactive cases, together with any training needs;
- all Interviews Under Caution are reviewed before prosecution is considered;
- a full management check is conducted on all sanction cases; and regular checks are undertaken of fraud officer's pocket notebooks.

Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). No surveillance has been undertaken Fylde during 2020/21. From 10th June 2019 the legislation regarding surveillance changes to The Investigatory Powers Act (IPA).

Covid19 had a significant impact on the teams operations, from February 2020 all formal action was suspended. The team was unable to undertake formal interviews under caution, visit members of the public (witnesses, suspects etc) or pursue criminal proceedings due to the pandemic. The team has assisted Business Rates with the administration of business rate grants.

Covid19 saw a new area of fraud for the team to investigate with the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund introduced on the 17th March 2020, followed by multiple other grant scheme including but not limited to; Local Lock Down Grants, Discretionary Grants and Restart Grants. Investigations in this regard are both pre and post payment.

During the unprecedented year of 2020/2021 the fraud team has assisted with Covid related work including the execution and administration of Spotlight checks hosted by the Cabinet Office, as part of the governments automated due diligence for Covid grant applications.

## **IMPLICATIONS**

There are no direct financial implications arising from this report. However, the Corporate Enquiry Team has generated savings for the Council from their corporate fraud work and delivers value for money in this area.

## **IMPACT STATEMENT**

The Benefits Service has a major impact upon the wellbeing of the more vulnerable members of the community. The Council is committed to protecting the gateway to both Benefits and Council Tax Support, with a service that is accessible to everyone in the community; ensuring that customers receive all the allowances to which they are entitled. As an essential part of this service provision, the prevention and detection of fraud remains high on the Council's agenda.

Partnership working with the Police and other external agencies demonstrates our commitment to tackle fraud on a larger scale and demonstrates good governance.

## **REASONS FOR DECISION**

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

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

Not applicable

## **REASON FOR INCLUSION IN PART B, IF APPROPRIATE**

Not applicable

## **Contact for further information**

Haley Garstang Corporate Fraud Manager	Tel. 01772 906388	Customer Services Directorate
---	----------------------	-------------------------------

## APPENDIX A

### Fylde Counter Fraud Activity Performance 2020/21

	Year	Target	Achieved
<b>Overpayments</b>	2020/21	£45,000	£63,066.75

Financial Source	Overpayments	Weekly Savings (estimated "future" savings)
Council Tax Reduction Scheme	£294.01	£21.69
Housing Benefit	£0.00	£0.00
Council Tax	£24,452.45	£410.14
Business Rates	£8,320.29	£392.42
Covid Business Grant	£30,000.00	£0.00
<b>Totals</b>	<b>£63,066.75</b>	<b>£824.25</b> <b>(X52 = £42,861.00)</b>