



Agenda

Audit and Standards Committee

Date:	Thursday, 18 March 2021 at 6:30 pm
Venue:	Remote meeting Via Zoom
Committee members:	<p>Councillor John Singleton JP (Chairman) Councillor Ellie Gaunt (Vice-Chairman)</p> <p>Councillors Paula Brearley, Delma Collins, Peter Collins, Brian Gill, Kiran Mulholland, Ed Nash and Sally Nash-Walker.</p>

Please Note: This meeting is being held remotely via Zoom. To access the meeting please click on the link below.
Join Zoom Meeting <https://us02web.zoom.us/j/89433478526?pwd=QjNPNkpKcngzMjJLYnFMTVBLWXVzQT09>
Meeting ID: 894 3347 8526
Passcode: 338922

	PROCEDURAL ITEMS:	PAGE
1	Declarations of Interest: Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	Confirmation of Minutes: To confirm the minutes, as previously circulated, of the meeting held on 14 January 2021 as a correct record.	1
3	Substitute Members: Details of any substitute members notified in accordance with council procedure rule 23(c).	1
	AUDIT DECISION ITEMS:	
4	Annual Audit Letter 2019/20	3 - 17
5	Audit Service	18 - 20
6	Internal Audit Plan 2021-22	21 - 24
7	Constitution Amendment: Meeting Scheduling	25 - 26
	AUDIT INFORMATION ITEMS:	
8	Update on the Strategic Risk Register	27 - 31

9	Regulation of Investigatory Powers Act 2000: Authorisations	32
---	---	----

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

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

© 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

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.

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	18 MARCH 2021	4
ANNUAL AUDIT LETTER 2019/20			

PUBLIC ITEM

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

SUMMARY

The Committee is requested to note the contents of the Annual Audit Letter for the financial year 2019/20 issued by the Council's external auditors, Deloitte LLP. The Audit Letter summarises the key matters arising from the work that Deloitte have carried out in respect of the audit for the year ended 31 March 2020. Deloitte issued an unqualified opinion on the Authority's financial statements for 2019/20 on 30th November 2020.

RECOMMENDATION

The committee is recommended to note the contents of the Annual Audit Letter for 2019/20 prepared by Deloitte LLP which is attached to this covering report.

SUMMARY OF PREVIOUS DECISIONS

This item is considered each year by the Audit and Standards Committee. It is a statutory requirement that this report is presented to the appropriate committee of the Council. This ensures that members of the committee are aware of the key matters arising from the work that the external auditors have carried out in respect of the audit for the year ended 31 March 2020 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

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

REPORT

- The attached report has been prepared by the Council's external auditors, Deloitte LLP. It summarises the key matters arising from the work that has been carried out in respect of the audit for the year ended 31 March 2020.

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

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

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

Attached documents

Appendix A - Annual Audit Letter on the 2019/20 External Audit



Annual Audit Letter on the 2019/20 External Audit Fylde Borough Council March 2021

Contents

	Page
1 Letter to Members	3
2 Key Messages	4
3 Responsibilities and Scope	6
4 Audit of the Accounts	7
5 Value for Money	10
6 Other Matters	10

1. Letter to Members

The Members

Fylde Borough Council

The Town Hall

Lytham St Annes

FY8 1LW

10 March 2021

Dear Members of the Authority

We have pleasure in setting out this Annual Audit Letter to summarise the key matters arising from the work that we have carried out in respect of the audit for the year ended 31 March 2020.

Although this letter is addressed to the Members of Fylde Borough Council ("the Authority"), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Public Sector Audit Appointments Ltd (PSAA) website at www.psaa.co.uk and on the Authority's website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Ltd. This is available from www.psaa.co.uk.

This letter has been discussed and agreed with the Chief Finance Officer. A copy of the letter will be provided to all Members.

This is our second year as the external auditor of the Authority following the transition of the PSAA contract in 2018/19. Our aim is to deliver a high standard of audit, delivering insights identified from our audit work to make a positive and practical contribution, which supports the Authority's own agenda. We would like to take this opportunity to recognise and thank the efforts made by the Authority's Finance Team in working constructively with our audit team to successfully deliver the audit in line with the national timetable.

Paul Hewitson

Audit Director

for and on behalf of Deloitte LLP

Newcastle Upon Tyne, United Kingdom

2. Key Messages

Statement of Accounts	
Unqualified opinion issued on 30 November 2020	<p>In 2019/20 the Authority was required to prepare its Statement of Accounts in accordance with International Financial Reporting Standards ("IFRS") as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and other relevant legislation.</p> <p>The Statement of Accounts was prepared and audited in accordance with the agreed timetable.</p> <p>Through our audit planning we identified three significant risks of material misstatement which we addressed through our audit. These were:</p> <ul style="list-style-type: none"> • property valuations • management override of controls; and • completeness and cut off of service line expenditure. <p>Materiality for the Authority's accounts was set at £980,000.</p> <p>We issued an unqualified audit opinion on the Statement of Accounts on 30 November 2020.</p>
Value for Money (VfM) conclusion	
Unqualified opinion issued on 30 November 2020	<p>We are required to base our statutory VfM conclusion on the criteria specified by the National Audit Office, namely whether the Authority has in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>We issued an unqualified opinion in respect of the VfM conclusion on 30 November 2020.</p>
Annual Governance Statement	
All relevant governance matters were adequately and appropriately disclosed	<p>We have considered the contents of the Annual Governance Statement and confirmed that the Statement complied with guidance and that it adequately and appropriately disclosed all relevant governance matters arising in the year that we are aware of.</p>

2. Key Messages (continued)

Whole of Government accounts	
The Authority is below the audit threshold	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Authority falls below the threshold where an audit is required.</p> <p>As required we have confirmed this fact to the National Audit Office by the national deadline of 4 December 2020.</p>
Financial reporting systems	
Minor weaknesses in internal control were identified	<p>During our audit we identified a small number of areas for improvement in internal controls and procedures including three recommendations relating to the areas of significant risk outlined above.</p> <p>The three recommendation relating to the significant risk areas concerned</p> <ul style="list-style-type: none"> • a recommendation that, as part of the annual exercise to value the Authority's property assets, the valuer provides the Authority with a summary of all assets valued and their revised revaluations as part of their overall report • recommendations concerning the clarity of the instructions and process for communicating with the valuer as part of the annual valuation exercise ; and • a recommendation that the investment properties of the Authority be formally revalued annually .

3. Responsibilities and Scope

Responsibilities of the Authority and Auditors

The Authority is responsible for maintaining the control environment and accounting records and preparing the accounting statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We are appointed as the Authority's independent external auditors by PSAA, the body responsible for appointing auditors to local public bodies in England.

As the Authority's appointed external auditor, we are responsible for planning and carrying out an audit that meets the requirements of the National Audit Office's Code of Audit Practice ("the Code"). Under the Code, we have responsibilities in two main areas:

- the Authority's accounts; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Auditing Practices Board ("APB"). The audit opinion on the accounts reflects the financial reporting framework adopted by the Authority, being the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on IFRS and other relevant legislation.

We conducted our work on the value for money conclusion in line with guidance issued by the National Audit Office in April 2020, in respect of local government bodies for the financial year ended 31 March 2020.

4. Audit of the Accounts

Statement of Accounts

Unqualified opinion issued on 30 November 2020

Before we give our opinion on the accounts, we are required to report to Those Charged with Governance any significant matters arising from the audit. A detailed report was discussed with the members of the Audit Committee on 12 November 2020, with a final report being issued on 30 November 2020.

Materiality for the Authority's accounts was set at £980,000 which equated to 2% of gross income. The level of materiality shapes and informs the extent of the audit work we undertook, including review of balances which are below this which exhibit particular characteristics. This assists in the identification of transactions and balances which were likely to give rise to material misstatements, and in determining the extent of work undertaken in respect of the areas we judged to contain such risks.

Our Report to Those Charged with Governance, in the case of the Authority, the Audit Committee, set out the details of any errors identified during the audit which were greater than £49,000, our clearly trivial threshold.

The final Statement of Accounts upon which we issued our opinion contained two residual errors which remained unadjusted. We have included further details on these residual errors later in this report. Our audit work was designed to specifically address the following significant audit risks:

- Whether property subject to revaluation in the year had been correctly stated – We obtained an understanding of the key controls in place around the revaluation of the Authority's property and performed detailed testing of the revalued assets including seeking the view of our internal valuation specialists as to whether the methodology employed by the Authority appeared reasonable. We identified an error in the calculation of the revaluations in that, for one revalued asset, a component of the asset was double counted causing the asset to be overstated by £70,000. Based upon the sample we tested we estimated that there may have been an overall error of £110,000 overstatement to the value of property assets.
- Whether the Authority's controls had been bypassed by management in the preparation of the financial statements (Management override of controls) – We obtained an understanding of the key controls in place around journal entries and judgements made in the preparation of the financial statements. Using Computer Assisted Auditing Tools we identified a number of journals which exhibited characteristics of audit interest and performed detailed testing on these journals and had nothing to report in respect of these journals. We also reviewed the key accounting estimates and judgements for bias.
- Whether the Statement of Accounts contained all of the expenditure relating to the year ended 31 March 2020 (Completeness of expenditure) – We obtained an understanding of the controls in place that management rely upon to ensure that year-end transactions are correctly brought into (accrued) the expenditure reported for the year. We selected a sample of invoices and payment recorded in the period after 31 March 2020 and confirmed for each that they had been recorded in the correct year of account. We also undertook analytical procedures to confirm that the overall population of expenditure recored in April 2020 was inline with our expectations

4. Audit of the Accounts (continued)

Statement of Accounts (continued)

We issued an unqualified opinion on the Authority's 2019/20 accounts on 30 November 2020, in accordance with the deadline set for local government bodies. Our opinion confirms that the accounts present a true and fair view of the financial position of the Authority as at 31 March 2020 and its income and expenditure for the year then ended.

In accordance with the guidance issued by the Royal Institute of Chartered Surveyors relating to valuation of property as at 31 March 2020, in notes 4, 13, 15 and 41 of the financial statements the Authority highlighted the increased level of uncertainty attached to the estimated value of the assets at the year end. We agreed with the Authority's assessment that there was a higher level of uncertainty attached to these valuations and accordingly we drew attention to this judgement in our audit opinion through the inclusion of an emphasis of matter paragraph. Our opinion was not modified in respect of this matter.

Key issues from work performed on the Statement of Accounts

We identified two uncorrected misstatements

We received a set of draft accounts in line with the agreed deadline, which were supported by working papers.

Through our audit we identified small number of errors which we communicated to the Authority for correction.

Following corrections the final Statement of Accounts upon which we issued our opinion contained two remaining errors:

The first error related to the impact of the Goodwin judgement on the local government pension liability set out in note 41 to the financial statements. The impact of this judgement was estimated at £200,000; and

The second, as referred above arose from our testing of the property valuations and the double counting of one component of the revaluation. We estimated that this error gave rise to an error of £110,000.

4. Audit of the Accounts (continued)

Annual Governance Statement	
The Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements	<p>As appointed auditors, we review the Annual Governance Statement ("AGS") and comment on any inconsistencies noted between the AGS and our audit work, other work relating to the Code of Audit Practice, and our understanding of the Authority's Governance arrangements.</p> <p>We have concluded that the Statement includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements and internal controls derived from our audit work.</p>
Powers and Duties	
We did not receive any questions about the accounts or make any public interest reports	<p>Under the Local Audit and Accountability Act 2014, auditors have specific powers and duties, including to give electors the opportunity to raise questions about the accounts and to consider and decide upon objections received in relation to the accounts. We did not receive any such questions or objections.</p> <p>We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>
Whole of Government accounts return	
The Authority is below the audit threshold	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review this pack as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office by the national deadline of 4 December 2020.</p>
Audit Certificate	
We have issued our certificate	<p>We issued our certificate on 30 November 2020. The certificate confirms that we have concluded the audit for 2019/20 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>

5. Value for Money

Background and approach

The approach to our audit work in relation to value for money ("VFM") was specified by the National Audit Office.

We are required to satisfy ourselves that the Authority has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

We would emphasise that it is the arrangements in place that we are required to assess, and not the actual decisions made by the Authority.

We planned our local programme of work based on our risk assessment, which was informed by a series of risk factors determined by the National Audit Office.

We did not identify any significant risks as part of our risk assessment however we did include a single area of focus connected to how the Authority develops and evaluates proposals for investment. We concluded that the system of control, whilst having scope of improvement, was commensurate with the risks inherent in the investments being made.

The VFM conclusion

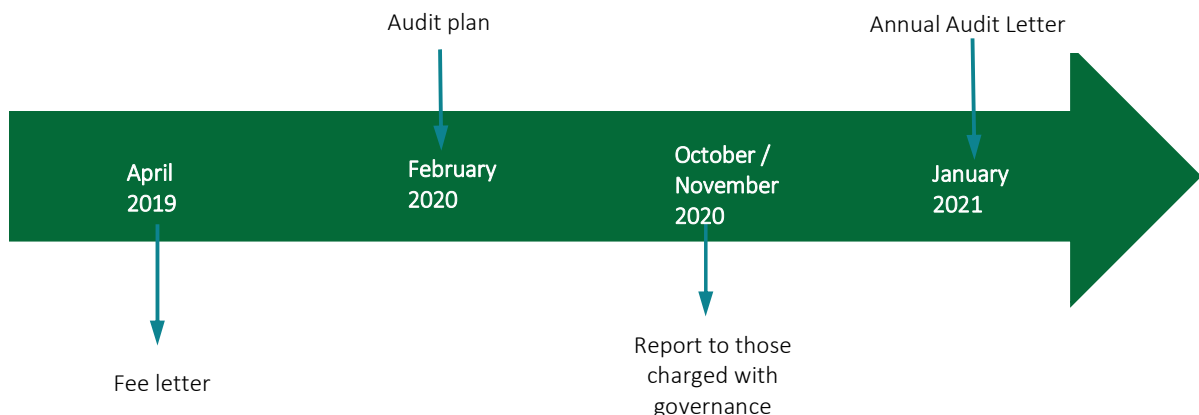
Having performed our work in line with guidance received from the National Audit Office we issued an unqualified value for money conclusion for the 2019/20 financial year.

6. Other Matters

Reports issued

Reports issued during the course of the 2019/20 audit included:

- Audit Fee letter;
- Annual Audit Plan;
- The Report to Those Charged with Governance on the 2019/20 audit of the Authority; and
- This Annual Audit Letter.



Analysis of audit fees

Audit fees charged are as follows:

	2019/20 £	2018/19 £
Scale fees for the audit of the Authority's annual accounts, VfM conclusion and whole of government accounts return*	36,729	41,729
Assurance work in respect of the Housing Benefit Assurance Process**	10,500	10,500

* The fees in 2018/19 included an additional element of £5,000 which was charged owing to issues encountered in the revaluation of property assets

** Owing to restrictions imposed by the Government's response to the Covid pandemic response we have been unable to complete the work on the HBAP, this work remains ongoing at the date of this letter.

Independence and objectivity

In our professional judgement, our policies and safeguards that are in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

We confirm that we comply with FRC's Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.

In our opinion there are no inconsistencies between FRC's Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. 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.

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

No matters impacting our independence have arisen during the year.

Statement of Responsibilities

The Statement of Responsibilities of Auditors and Audited Bodies issued by PSAA explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out in accordance with, that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national data and methodology supporting our value for money conclusion as they are derived solely from the National Audit Office.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other party.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

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

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	18 MARCH 2021	5
AUDIT SERVICE			

PUBLIC ITEM

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

SUMMARY

As members will be aware, the Shared Head of Internal Audit has recently left the authority to take up a position elsewhere. At the same time an auditor within the team has also resigned leaving the service with one FTE Senior Auditor. The rapid depletion of resources exposes the council's vulnerabilities in this small team and the lack of resilience which exists as a result.

This report proposes a short-term solution to address this issue prior to an options appraisal being instigated for the future delivery of the service.

RECOMMENDATIONS

1. To note the awarding of a contract, under the exempt contract procedure rules, by the Director of Resources to the Mersey Internal Audit Agency until the 31 March 2022 for a partial internal audit service including the role of Head of Internal Audit.
2. To seek an options appraisal report from the Head of Governance as soon as practicable to consider how the internal audit service can be delivered from 1 April 2022 onwards with resilience built into future arrangements.

SUMMARY OF PREVIOUS DECISIONS

None arising

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

Background

1. The Public Sector Internal Audit Standards (PSIAS) define auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organisations operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance procedures”*.

2. There are also statutory obligations which require a local authority to maintain an internal audit service as follows:
 - Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for “the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. It is the view of the Chartered Institute of Public Finance and Accountancy (CIPFA) that proper administration requires a wider consideration of all aspects of local authority financial management and should include compliance with statutory requirements for auditing and internal audit.
 - Under the Accounts and Audit Regulations 2015 a relevant local authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering the public sector internal auditing standards and guidance.
3. In their statement of the role of the Chief Financial Officer, CIPFA sets out a number of key principles and responsibilities linked to the role including:

Ensuring that the authority has in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom.
4. It can be seen from the afore-mentioned paragraphs that the council must ensure the provision of an internal audit function. However, the precise form this takes is open to the Council. In most recent years this has been in the form of a Shared Head of Internal Audit with Preston City Council together with a small internal team comprising two staff.

The Future

5. As members will be aware, the Shared Head of Internal Audit has recently left the authority to take up a position elsewhere. This post was a shared post on a fifty-fifty basis with Preston City Council. At the same time an auditor within the team has also resigned leaving the service with one FTE Senior Auditor. The rapid depletion of resources exposes the council’s vulnerabilities in this team and the lack of resilience which exists. Preston City Council intends to replace this post on a full-time basis going forward and it is clear that an option appraisal exercise with respect to the service is required. However, this not an insignificant piece of work which officers would struggle to respond to in the immediate future. This would leave the service exposed until this options appraisal was completed.
6. For this reason, the Director of Resources, in consultation with the Corporate Governance Group, has sought to find a short-term solution to bridge this gap in provision through the provision of auditing services being provided under a contractual arrangement.
7. Under the contract procedure rules the following provision exists under exempt contracts where a contract with the estimated value of goods and services to be supplied is £10,000 or more and other procedures cannot practicably be followed because:
 - (i) *the contract is an extension of an existing contract;*
 - (ii) *the contract is for spot purchasing fuel or utilities;*
 - (iii) *the goods, materials or works desired are of a proprietary or special character or for other reasons there would be no genuine competition; or*
 - (iv) *in the opinion of the Chief Executive the need for the goods materials or works is urgent.*
8. In relation to (iv) above the Chief Executive has agreed that the awarding of a contract in the short-term to sustain audit service delivery is considered urgent. Councillor Singleton, Chairman of the Audit and Standards Committee, has also been kept apprised of developments and agrees that a short-term solution is required to address this issue.
9. Under this procedure the relevant director must be also satisfied that the arrangements made secure the best available terms to the Council and must report the circumstances to the next available meeting of the relevant committee.

10. This report is therefore brought forward to members of the Committee to inform them of the awarding of a short-term contract running to 31 March 2022, to the Mersey Internal Audit Agency (MIAA) , to deliver both the Head of Internal audit role and fulfil the shortfall in general auditing hours. The MIAA has delivered work for the council previously to a high standard as it undertakes the council's specialist computer audit work. The MIAA has a proven track record of delivering audit, assurance and advisory services to the NHS and the public sector for over 25 years. It employs over 120 staff, of which 75 per cent are qualified, within the auditing field. Both the Director of Resources, together with the Corporate Governance Group, are confident that the MIAA will be able to bridge the gap in resources in the short-term and are therefore satisfied that this arrangement secures the best available option and terms at this current time.
11. The intention is that Head of Governance will bring forward an options appraisal report to the committee, as soon as practicable, but by the end of this calendar year at the latest, for discussion in order that a longer-term solution can be addressed for the future delivery of audit service ensuring that resilience is built into any future delivery model.
12. In the interim the MIAA will manage the internal audit service, including supervision of the remaining auditor. There will be a regular presence at key meetings, including attendance at the Audit and Standards Committee by a lead engagement manager for the contract. The costs of the contract will be met through the existed budgeted provision for the audit service, with a small shortfall being met from a virement from other staffing budgets, within the Resources Directorate.

Financial Implications

13. The cost of the contract with MIAA is £88,900 for the period 15/03/2021 to the end of the following financial year, which exceeds the available budget for the two currently vacant posts by £10,800. It is proposed that this shortfall will be met by way of virement from within existing budgetary provision in the directorate. As such the proposals in the report do not seek any additional financial resources beyond those already approved.

IMPLICATIONS	
Finance	The shortfall in budget provision between the cost of awarding the contract and the available budget for the two vacant posts will be met by a virement from existing revenue budgets. As such the proposals in the report do not seek any additional financial resources beyond those already approved.
Legal	A legal agreement has been entered into for the provision of services
Community Safety	None arising
Human Rights and Equalities	None arising
Sustainability and Environmental Impact	None arising
Health & Safety and Risk Management	None arising

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

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	18 MARCH 2021	6
INTERNAL AUDIT PLAN 2021-22			

PUBLIC ITEM

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

SUMMARY

The 2021/22 Internal Audit Plan has been compiled in consultation with Directors and Heads of Service following a detailed risk assessment.

RECOMMENDATION

That the Committee approves the Internal Audit Plan 2021/2022 and associated performance indicators.

SUMMARY OF PREVIOUS DECISIONS

None.

CORPORATE PRIORITIES

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

THE ROLES OF MANAGEMENT AND INTERNAL AUDIT

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

AUDIT PLAN

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

Corporate

- Undertaking corporate and service level governance reviews in support of the Annual Governance Statement.
- Review and update of Anti-Fraud and Corruption Policies.
- Co-ordinating the Council's input to the Cabinet Office National Fraud Initiative (NFI) 2021 exercise for in order to identify any potential irregularities.

Risk based reviews of the following systems:

- Health and Safety
- Project Management Framework
- Stores stocks
- Data Sharing Protocols
- Risk management
- Housing Benefit
- Treasury Management
- Capital Programme
- ICT reviews – to be determined in conjunction with ICT Auditors
- Externally managed events
- Bereavement Service
- Fairhaven Adventure Golf
- Properties Repairs and Maintenance
- Section 106 grants
- Disabled Facilities Grants

Project Team Membership

- Coastal Defence project
- Fairhaven Lake (HLF)
- Kirkham Town Centre regeneration

General Areas

- COVID support – providing post assurance on business support grants.
- Following up management actions agreed in earlier audit reports.
- Responding to requests from management for unplanned reviews / investigations.
- Compliance with the Public Sector Internal Audit Standards (PSIAS) including participation in the Lancashire wide peer review process.
- System administrator responsibilities for risk management system (GRACE).
- Preparing reports for and attending the Audit and Standards Committee.

AUDIT DAYS

5. The Internal Audit Plan for 2021/22 is based on a resource of **400 audit days**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resource.

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
Dawn Highton	Dawn.highton@fylde.gov.uk Tel 01253 658413	1 st February 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Risk Assessment	1 st February 2021	Internal Audit Office, Town Hall

Attached documents

Appendix 1 – Internal Audit Plan

FYLDE COUNCIL	DAYS	Comments
CORPORATE AREAS		
Annual Governance Statement	15	To support the 2021 Annual Governance Statement
Anti-Fraud & Corruption	5	Review and update of probity policies
NFI	10	Submission of data for the 2021 exercise
CORPORATE SERVICES		
Health and Safety	15	Risk based review deferred from 20/21
Project Management Framework	15	Risk based review deferred from 20/21
RESOURCES		
Heath & Environment		
Fleet and Depot		
Stores Stocks (Bins and FMS stock)	15	Risk based review deferred from 20/21
Governance		
Data Sharing Protocols	15	Risk based review deferred from 20/21
Risk Management	15	Risk based review
Finance and Service Support		
Housing Benefit	15	Risk based review deferred from 20/21
Finance		
Treasury Management	15	Risk based review deferred from 20/21
Capital Programme	15	Risk based review deferred from 20/21
ICT		
TBD	10	Risk based review
TBD	10	Risk based review
DEVELOPMENT SERVICES		
Parks, Leisure and Cultural Services		
Externally Managed events	15	Risk based review deferred from 20/21
Bereavement service	15	Risk based review deferred from 20/21
Fairhaven (HLF project)	10	Project team - pro active support
Fairhaven Adventure Golf	15	Risk based review
Technical Services		
Sea Defenses project	10	Project team - pro active support
Property Repairs and Maintenance	15	Risk based review deferred from 20/21
Planning & Regeneration		
Kirkham Town Centre regeneration	10	Project team - pro active support
Disabled Facilities Grants	15	Risk based review deferred from 20/21
Section 106	15	Risk based review deferred from 20/21
GENERAL AREAS		
COVID Support	30	Post assurance / grants
Post Audit Reviews	10	Follow up of agreed actions
Contingency / Irregularities	15	Unplanned reviews / contingency
PSIAS Peer Review	15	Participation in peer review process
Internal Audit Effectiveness review	5	IA Effectiveness review
GRACE (Administrator role)	15	Administrator functions
Committee Reporting / Effectiveness Review	20	Preparation of reports and attendance at Audit & Standards Committee
FYLDE COUNCIL	400	

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	18 MARCH 2021	7
CONSTITUTION AMENDMENT: MEETING SCHEDULING			

PUBLIC ITEM

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

SUMMARY

The report suggests a small change to the council procedure rules that would allow the schedule of meetings for a municipal year to be settled earlier than is now provided for.

RECOMMENDATION

1. Recommend to council that the text of council procedure rule 4.3 be amended to substitute the words “no later than”, in place of “at”.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES

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

REPORT

1. Rule 4.3 of the Council Procedure Rules, which appears as part 4 of the council’s constitution, presently provides:

“The Council will agree a schedule of ordinary meetings of the Council at the last ordinary meeting before the annual meeting in each year”.

2. The effect of this is that the meeting schedule for each municipal year is not fixed until a relatively short time before the commencement of that year. It is suggested that the wording be changed to allow flexibility for the schedule of meetings to be settled earlier, by amending the rule to say the following:

*“The Council will agree a schedule of ordinary meetings **no later than** the last ordinary meeting before the annual meeting in the preceding year”.*

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
Ian Curtis	ian.curtis@fylde.gov.uk & Tel 01253 658506	19 February 2021

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Constitution	2015, with subsequent amendments	https://fylde.cmis.uk.com/fylde/ConstitutionGovernanceMatters.aspx

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	18 MARCH 2021	8
UPDATE ON THE STRATEGIC RISK REGISTER			

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 July 2020 and detailed the risks alongside any existing control measures. The register also contained details of further actions which were planned or in progress to further mitigate the residual risk level.

The colour coding of the risk scores are as follows:

Green Risks = Low Risks

Yellow Risks = Medium Risks

Red Risks = High Risks

All changes to the register have been highlighted in red and include additional actions to mitigate risks or additional controls which have been introduced. This residual risk score has been amended where necessary to reflect the 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 (DRAFT)

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
						Member Training	Member training to raise awareness of opportunities and risks / developing a commercial culture and appetite	31/03/2022	
						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 th 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. A report is being taken forward to the 16 th March 2021 Operational Management Committee proposing a new enforcement team and setting the framework for this.	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					
Fylde Council / Lancashire County Council	Potential for a unitary council / LCC dissolve during 20/21. White paper expected Autumn 21	9	Consultations	Participation in consultation process	6				6
			Engagement	Engagement with Lancashire Leaders discussions and dialogue with potential partners.					

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)	25	Government guidance	Adherence to both national and LRF guidance	9	Guidance	Guidance to be kept under continuous review and appropriate actions taken	30/06/2021	
			Community Hub	Setting up of Community Hubs to support the vulnerable in society		Community Hub	Community Hub to remain operational until advised to cease service by Government / LRF	30/06/2021	
			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 reactive support to the business community in light on any new regs / guidance from Govt	30/06/2021	
			Employees	Staff advised to socially distance as far as practicable 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.	30/06/2021	
						Employees	Undertake a review of working practices going forwards and establish proposals / applications for continued home working to be assessed by the CEO / Directors.	30/06/2021	
			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.	30/06/2021	
			Coronavirus Recovery Plan	The Council has developed and is implementing a coronavirus recovery plan which is supported by the Leadership Board, pending formal approval by members.					

INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	18 MARCH 2021	9
REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS			

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 March 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
December 2020 – March 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.