



# Agenda

## Audit and Standards Committee

Date:	Thursday, 15 March 2018 at 6:30 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	<p>Councillor John Singleton JP (Chairman)</p> <p>Councillor David Donaldson (Vice-Chairman)</p> <p>Councillors Delma Collins, Peter Collins, Paul Hayhurst, Edward Nash, Graeme Neale, Louis Rigby, Roger Small.</p>

	PROCEDURAL ITEMS:	PAGE
<b>1</b>	<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.	<b>1</b>
<b>2</b>	<b>Confirmation of Minutes:</b> To confirm the minutes, as previously circulated, of the meetings held on <a href="#">18 January 2018</a> as correct records.	<b>1</b>
<b>3</b>	<b>Substitute Members:</b> Details of any substitute members notified in accordance with council procedure rule 22(c).	<b>1</b>
	<b>AUDIT DECISION ITEMS:</b>	
<b>5</b>	<b>KPMG Audit Plan 2017/18</b>	<b>3 - 26</b>
<b>6</b>	<b>Consultation on Ethical Standards in Local Government</b>	<b>27 - 28</b>
<b>7</b>	<b>Constitution Review</b>	<b>29 - 30</b>
	<b>AUDIT INFORMATION ITEMS:</b>	
<b>8</b>	<b>Internal Audit Interim Report 2017/18</b>	<b>31 - 38</b>
<b>9</b>	<b>Regulation of Investigatory Powers Act 2000: Authorisations</b>	<b>39</b>
	<b>STANDARDS ITEMS:</b>	

10	Exclusion of the Public	40
11	EXEMPT ITEM – Not for Publication Issue Raised with the Monitoring Officer	EXEMPT

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

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

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## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	15 MARCH 2018	4
<b>KPMG AUDIT PLAN 2017/18</b>			

### PUBLIC ITEM

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

### SUMMARY

The report presents the Audit Plan from KPMG for the forthcoming financial year. The report will be presented by KPMG.

### RECOMMENDATION

The committee is recommended to:

1. Consider and comment on the KPMG External Audit Plan for 2017/18 which is attached to this covering report.

### SUMMARY OF PREVIOUS DECISIONS

The Audit Plan is considered each year by the Audit and Standards Committee.

### CORPORATE PRIORITIES

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

### REPORT

1. The attached report has been prepared by the Council's external auditors, KPMG. It summarises how they will deliver their audit work for Fylde Borough Council during the coming year.

IMPLICATIONS	
Finance	There are no financial implications arising directly from this report - the cost of external 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	January 2018

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

#### Attached documents

Appendix 1 - Report of KPMG - External Audit Plan 2017/18





# External Audit Plan 2017/2018

**Fylde Borough Council**

February 2018



# Summary for Audit Committee

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## Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. We recognise that the Authority has successfully advanced its own accounts production timetable in prior years so as to align with the new deadlines. As a result, we do not feel that this represents a significant risk, although it is still important that the authority manages its closedown process to meet the earlier deadline.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2017.

## Materiality

Materiality for planning purposes has been set at **£750k**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£ 37k**.

## Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated, and;
- **Gross Pension Liability** – The valuation of the Authority's gross pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.

# Summary for Audit Committee (cont.)

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## Financial Statements (cont.)

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of additional audit focus have been identified as:

- **Faster close** - In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July. During 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by mid-June and the final signed accounts by mid-September. Whilst this was an advancement on the timetable applied in preceding years, further work is still required in order to ensure that the statutory deadlines for 2017/18 are met.

**See pages 3 to 10 for more details**

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## Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money have not identified any significant risks.

**See pages 11 to 13 for more details**

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## Other matters

This section outlines our WGA work and response to any Elector Challenges.

**See page 14 for more details**

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## Logistics

Our team is:

- Amanda Latham – Director
- Harriet Fisher – Manager

More details are in **Appendix 2**.

Our work will be completed in three phases from December to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 6**.

Our fee for the 2017/18 audit is £47,700 (£47,700 2016/2017) see **page 15**. These fees are in line with the scale fees published by PSAA

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## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

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# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you April 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office’s Code of Audit Practice and the PSAA Statement of Responsibilities.

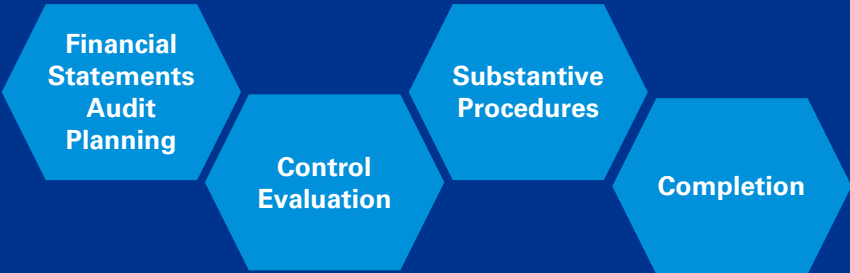
## Our audit has two key objectives, requiring us to audit/review and report on your:

- 01 | **Financial statements :**  
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **Use of resources:**  
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.





# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during December 2017 to January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use or experts; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

01

### Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

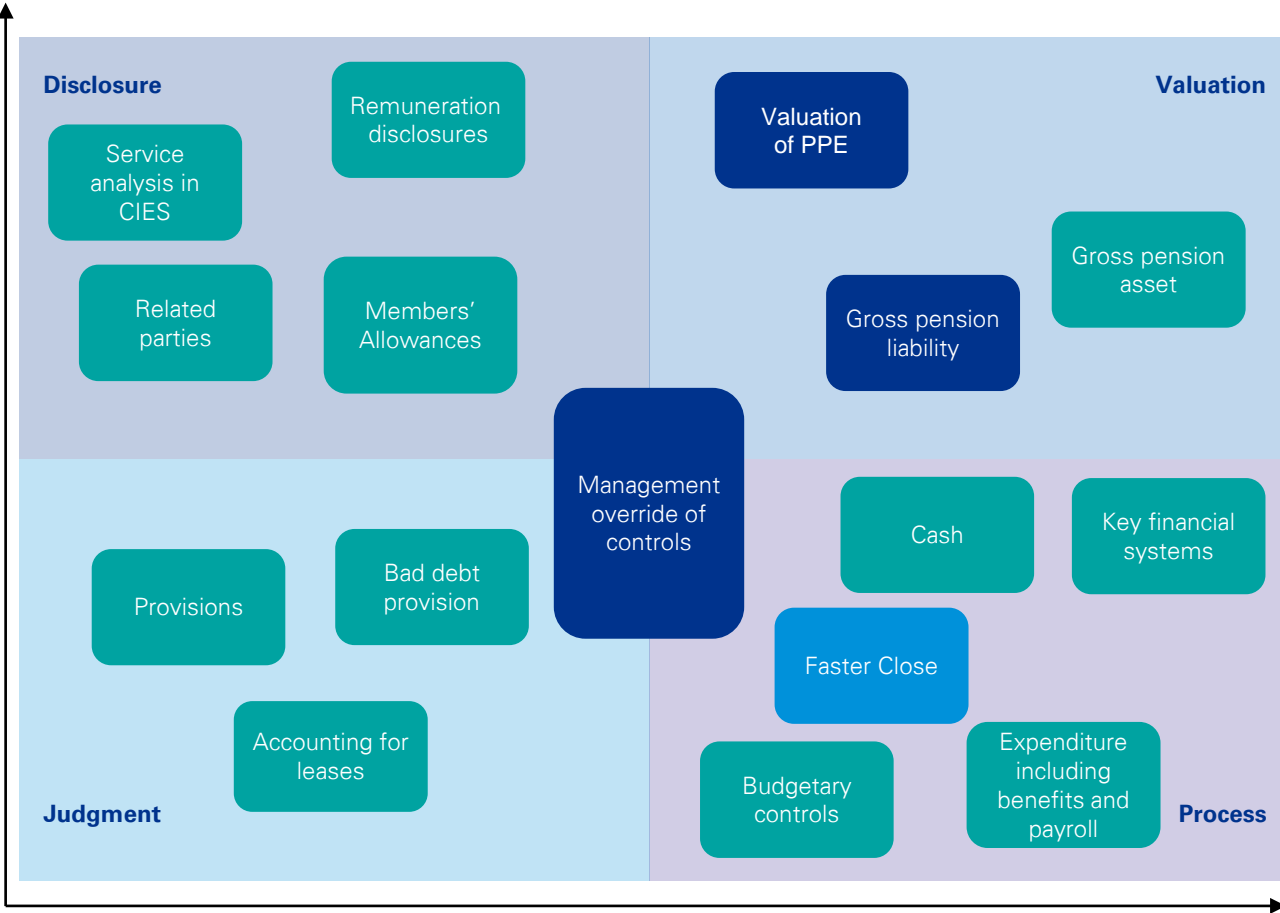
02

### Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

# Financial statements audit planning (cont.)

The diagram below identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



**Keys:**  Significant risk  Other area of audit focus  Other areas considered by our approach

# Financial statements audit planning (cont.)

## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

**Risk:**

**Valuation of PPE**

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.

**Approach:**

We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer’s qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).



# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<p><b>Valuation of gross pension liability</b></p> <p>The net pension liability represents a material element of the Authority’s balance sheet. It represents the net balance of the Pension Liability and the Pension Asset.</p> <p>The Authority is an admitted body of Lancashire County Council Pension Fund which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the gross pension liability then relies on the application of a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s gross liability, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority’s gross pension liability are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p> <p>We have not identified a significant risk around the valuation of the gross pension asset, but this will remain an area of audit focus due to its materiality.</p>
<b>Approach:</b>	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Mercer.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Mercer.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

# Financial statements audit planning (cont.)

## Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

<b>Risk:</b>	<p><b>Faster Close</b></p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>During 2016/17, the Authority started to prepare for these revised deadlines and advanced its own accounts production timetable so that draft accounts were ready by mid-June and the final signed accounts by mid-September. Whilst this was an advancement on the timetable applied in preceding years, further work is still required in order to ensure that the statutory deadlines for 2017/18 are met.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"><li>— Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;</li><li>— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;</li><li>— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and</li><li>— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.</li></ul> <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
<b>Approach:</b>	<p>We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.</p> <p>Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.</p>

# Financial statements audit planning (cont.)

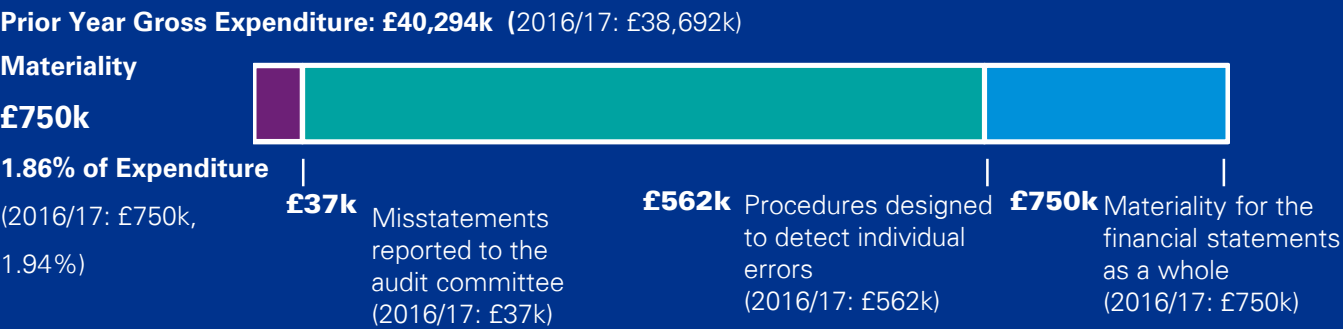
## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent ‘misstatements’ unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £750k for the Authority’s standalone accounts, which [in both cases] equates to 1.86 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.



## Reporting to the Audit Committee




Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK&I) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £37k.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

### We will report:

	Non-Trivial corrected audit misstatements		Non-trivial uncorrected audit misstatements		Errors and omissions in disclosure (Corrected and uncorrected)
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# Value for money arrangements work

## VFM audit approach

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

## Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



## Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money. In line with previous years, we have not identified any significant VFM risks in relation to our work.

# Value for money arrangements work (cont.)

## Value for Money sub-criterion

### Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

# Value for money arrangements work (cont.)

## VFM audit stage



### VFM audit risk assessment

#### Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



### Linkages with financial statements and other audit work

#### Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



### Identification of significant risks

#### Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



# Value for money arrangements work (cont.)

## VFM audit stage



### Assessment of work by other review agencies, and Delivery of local risk based work

#### Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



### Concluding on VFM arrangements

#### Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



### Reporting

#### Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

# Other matters

## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2017/18 have not yet been confirmed.

## Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.



# Other matters

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

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## Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

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## Audit fee

Our Audit Fee Letter 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £47,700, compared to 2016/2017 of £47,700.

Appendix 1:

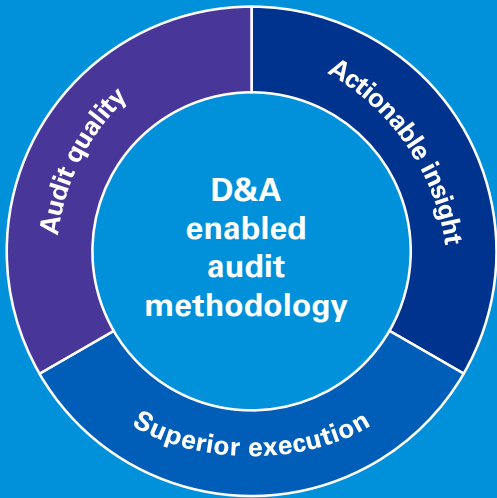
# Key elements of our financial statements audit approach

**Driving more value from the audit through data and analytics**

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

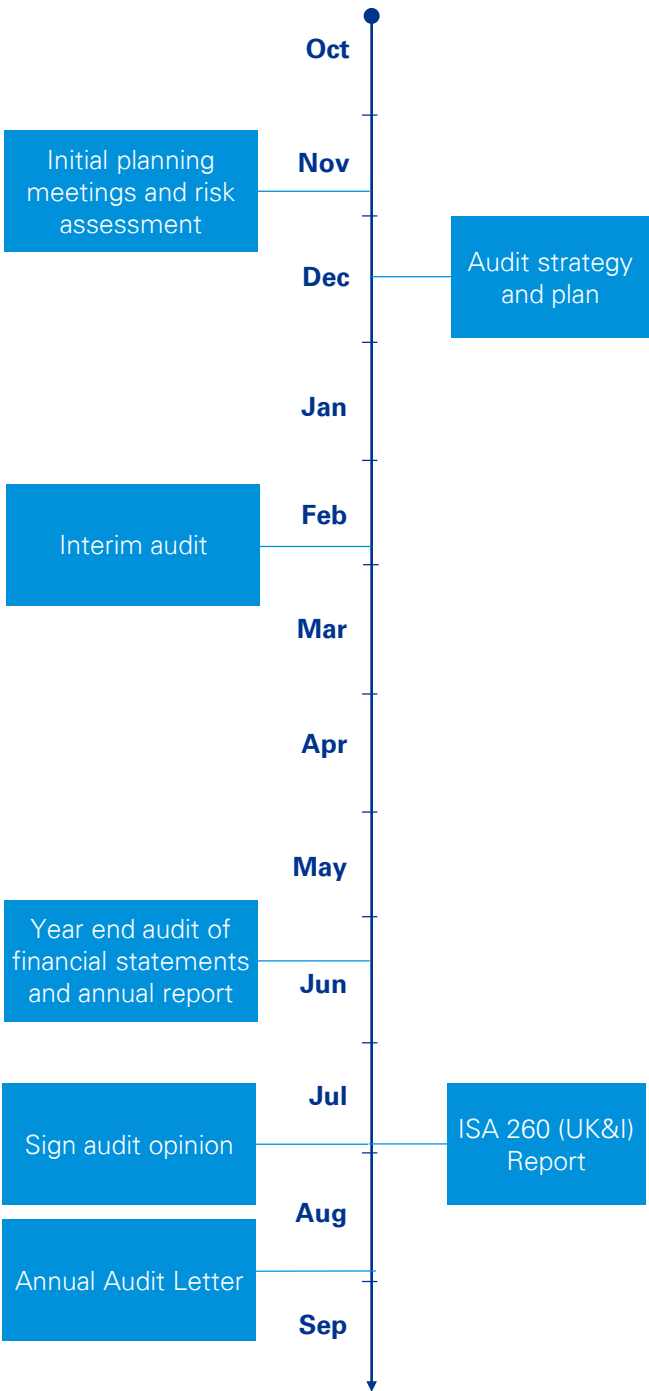
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



**Communication**

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.





## Appendix 1:

# Key elements of our financial statements audit approach (cont.)

### Audit workflow

#### Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

#### Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

#### Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

#### Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting



## Appendix 2:

# Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team has changed since last year.



**Amanda Latham**  
Director

T: +44 (0) 7768 416801  
E: amanda.latham@kpmg.co.uk

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'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit Committee and Chief Executive.'



**Harriet Fisher**  
Manager

T: +44 (0) 7827 305274  
E: harriet.fisher@kpmg.co.uk

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'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will also oversee the on-site delivery of our work.

I will work closely with director to ensure we add value.

I will liaise with the Director of Finance and other Executive Directors.'

## Appendix 3:

# Independence and objectivity requirements

## ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF FLYDE BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### *Summary of fees*

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

In addition to our audit work, we will complete the certification of the Authority's housing benefit subsidy claim, which falls within the current PSAA regime. The proposed fee in respect of this work for 2017/18 is £8,034, which is in line with the scale fee set by PSAA.

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

## Appendix 3:

# Independence and objectivity requirements (cont.)

### Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Kpmg LLP

**KPMG LLP**



**kpmg.com/uk**



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

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

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

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## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	15 MARCH 2018	5
<b>CONSULTATION ON ETHICAL STANDARDS IN LOCAL GOVERNMENT</b>			

### PUBLIC ITEM

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

### SUMMARY

The Committee on Standards in Public Life has recently announced that it is undertaking a review of local government ethical standards. It is inviting responses to its consultation particularly from local authorities and elected members. Members are invited to consider holding a workshop to respond to the consultation. Members are also invited to considering holding the workshop together with representatives from Blackpool Council's Standards Committee.

### RECOMMENDATIONS

1. To hold a workshop with representatives of the committee, to respond to the consultation;
2. To agree to hold a workshop with representatives from Blackpool Council's Standards Committee to formulate a response; and
3. To invite the Independent Persons to the workshop.

### SUMMARY OF PREVIOUS DECISIONS

None relating to this matter.

### CORPORATE PRIORITIES

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

### REPORT

1. The Committee on Standards in Public Life has recently announced that it is undertaking a review of local government ethical standards.
2. The review will consider all levels of local government and its terms of reference are to:



- examine the structures, processes and practices in local government in England for:
    - maintaining codes of conduct for local councillors
    - investigating alleged breaches fairly and with due process
    - enforcing codes and imposing sanctions for misconduct
    - declaring interests and managing conflicts of interest
    - whistleblowing
  - assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government
  - make any recommendations for how they can be improved
  - note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation
3. The consultation is particularly aimed at local authorities and standards committees, local authority members and local authority officials, as well as local government thinktanks, academics and representative bodies.
  4. The review into ethical standards is the first large scale review of such matters since the abolition of the Standards Board for England in 2012 and the implementation of the new standards framework which replaced the Board.
  5. The committee is therefore asked to consider the importance of submitting a comprehensive response to the consultation, and it is suggested that holding a workshop with members of the committee to formulate the response, may be the best approach.
  6. As members will be aware, Fylde has a shared Code of Conduct with Blackpool Council and shared Independent Persons. It is therefore considered appropriate to consider inviting members of Blackpool's Standards Committee and the Independent Persons, to the consultation workshop.
  7. A similar approach was adopted when the Code of Conduct was reviewed in 2015, and it was considered by all involved to be a success.
  8. Members may access the consultation via the following link;

<https://www.gov.uk/government/consultations/local-government-ethical-standards-stakeholder-consultation>

IMPLICATIONS	
Finance	None arising from this report
Legal	None arising from this report
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Morrison	Email: <a href="mailto:tracy.morrison@fylde.gov.uk">tracy.morrison@fylde.gov.uk</a> Tel: 01253 658521	9 February 2018

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
MONITORING OFFICER	AUDIT AND STANDARDS COMMITTEE	15 MARCH 2018	6
<b>CONSTITUTION REVIEW</b>			

### PUBLIC ITEM

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

### SUMMARY

Article 13 of the Constitution directs that *“the Monitoring Officer will review the Constitution every three years and seek its formal re-adoption by the Council.”*

It is three years since the Council adopted the new Constitution following the referendum to change the system of governance, and therefore it timely to start the process of reviewing the constitution.

The committee are asked to consider how they would wish to conduct the review.

### RECOMMENDATION

1. To direct the Monitoring Officer to undertake a review of the constitution and report to a future meeting of the Audit and Standards Committee.

### OR

2. For the Monitoring Officer to work in consultation with the Chairman of Audit and Standards and Group Leaders in the review of the constitution and to report to a future meeting of the Audit and Standards Committee.

### SUMMARY OF PREVIOUS DECISIONS

This is first review of the constitution since the constitution was adopted by Council in March 2015 in anticipation of the governance change in May 2015.

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

## REPORT

1. Article 13 of the Constitution directs that “the Monitoring Officer will review the Constitution every three years and seek its formal re-adoption by the Council.”
2. It is three years since the Council adopted the new Constitution following the referendum to change the system of governance, and therefore it timely to start the process of reviewing the constitution.
3. In accordance with the constitution in the intervening period between reviews, the Monitoring Officer has a duty to keep the constitution under review. Where necessary substantive changes are required the Monitoring Officer reports to Audit and Standards Committee, and with their recommendation the changes are ratified at full Council. This has occurred on a number of occasions since 2015.
4. Where the changes are to reflect a change in the law, job titles, structures, rearrangement of job responsibilities or general administrative conveniences, the Monitoring Officer has delegated authority to make those amendments.
5. Such amendments are notified to councillors and the published constitution is amended.
6. The table below details those changes made, both substantive and delegated, since May 2015.
7. The constitution directs the Monitoring Officer to conduct the review, as reflected in recommendation 1. In this regard the Monitoring Officer feels it would be useful to work with members on the review, particularly with the Chairman of Audit and Standards who is in the strong position of being able to draw on his recent experience of chairing Council meetings together Group Leaders.
8. The input of members during the necessary re-writing of the constitution in 2014/15, to reflect the governance change, was invaluable.
9. The three year review of the constitution is to ensure that as a document, it is still fit for purpose.
10. One possible area of focus during the review may be a review of the remit of the committees. The remits have remained largely unchanged since the governance change, and after three years of operation under the new system, it may be timely to review to ensure they are fit for purpose.
11. The committee are invited to consider other areas they may wish to direct the Monitoring Officer to review.

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

LEAD AUTHOR	CONTACT DETAILS	DATE
Tracy Morrison	Email <a href="mailto:tracy.morrison@fylde.gov.uk">tracy.morrison@fylde.gov.uk</a> & Tel 01253 658521	2 March 2018

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		Council office or web address

## INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	15 MARCH 2018	7
<b>INTERNAL AUDIT INTERIM REPORT 2017/18</b>			

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

At its meeting in March 2017 the Audit and Standards Committee endorsed the Internal Audit Annual Plan for 2017/18. This report summarises the work undertaken by internal audit from April to December 2017 and performance information for the same period in accordance with the reporting requirements set out in the Public Sector Internal Audit Standards. It also outlines factors affecting the achievement of the annual plan.

### SOURCE OF INFORMATION

Internal Audit

Audit Committee 16 March 2017

### LINK TO INFORMATION

[Internal Audit Interim report 2017/18](#)

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

The report is relevant to the Committee's terms of reference and the responsibility of the Committee to monitor both the performance of the internal audit service and the framework of governance, risk management and control. The report also meets the requirements of the Internal Audit Charter and the Public Sector Internal Audit Standards.

### FURTHER INFORMATION

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

# INFORMATION NOTE

## Internal Audit Interim Report 2017/18



### REPORT

#### 1. Introduction

##### 1.1 Role and definition of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of the Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance upon in its assessment of the internal control system.

The definition of internal audit, as described in the UK Public Sector Internal Audit Standards (PSIAS), is set out below:

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

##### 1.2 Purposes of the Report

1.2.1 The Internal Audit Team is responsible for carrying out a continuous examination of the accounting, financial and other operations of the Council in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015. The latter states that "*A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*"

1.2.2 The Internal Audit service works to the Internal Audit Charter approved by the Committee in September 2016 that fully reflects the requirements of the PSIAS. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. The Internal Audit team is required to adhere to the code of ethics, standards and guidelines of relevant professional institutes and the relevant professional auditing standards.

1.2.3 Internal Audit has adopted the principles contained in the PSIAS and seeks to work in conformance with them, fulfilling the requirements of the Accounts and Audit Regulations 2015 and associated regulations in respect of the provision of an internal audit service.

1.2.4 The annual report on the assessment of internal audit conformance with the Standards was presented to the committee at its June 2017 meeting. The committee agreed that the report provided suitable assurance at that time concerning the effectiveness of risk management, control and governance processes in terms of the exercise of the Council's functions and the achievement of its aims. A review of the effectiveness of internal audit was also presented to the committee in September last year, which reconfirmed full compliance with PSIAS.

1.2.5 This report provides the Audit Committee with information on work undertaken and assurances gained between April and December 2017. The retirement of the previous Head of Internal Audit and the resulting vacancy in that position has temporarily reduced capacity in the team, as has the continuing vacancy for an Audit Assistant, which is intended to be filled when a new Head of Internal Audit takes up their post. This lowered capacity is reflected in the content of this interim report. As an interim report, this document does not contain an assessment of compliance with PSIAS. In any event, such an assessment is a matter for a chief audit executive (the term used in PSIAS to refer to a professionally-qualified head of internal audit), and not for the present writer.



1.2.6 The interim audit report is normally written or approved by the Head of Internal Audit. However, as that post is presently vacant, this year's interim report has been written by the Head of Governance, who is not a qualified auditor, using data requested from the council's internal audit team.

## 2. Assurance on Internal Control

2.1 During the period from April to December 2017 seven reports have been issued with action plans agreed where appropriate.

2.2 In the action plans arising from audit work the audit team categorises recommendations as high, medium or low priority. High indicates a significant control weakness that may result in failure to achieve corporate objectives, reputational damage, material loss, exposure to serious fraud or failure to meet legal/statutory requirements. Medium suggests a less important vulnerability not fundamental to system integrity that could result in failure to achieve operational objectives, non-material loss, or non-compliance to departmental operational/financial procedures. Low priorities relate to good practice improvements or enhancements to procedures, although several low risks in combination may give rise to concern.

2.3 The audit team also measure the overall level of assurance, where appropriate, based on the adequacy and effectiveness of internal control in a system on a five-point scale. The assurance levels and definitions are as follows:

Level	Definition
5 Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives, which is consistently applied
4 Substantial Assurance	There is essentially a sound system of control but there are some minor weaknesses, which may put achievement of certain system objectives at risk
3 Moderate Assurance	While there is on the whole a sound system of control, some controls are not consistently applied resulting in more significant weaknesses that may put some system objectives at risk
2 Limited Assurance	There are significant/serious weaknesses and inconsistent application of controls in key areas that put the system objectives at risk
1 No Assurance	The control framework is generally weak leaving the system open to significant error or abuse and is not capable of meeting its objectives

2.3 Table One shows the category of recommendations identified for each audit completed in the period, together with the assurance rating for the system reviewed.

**Table One: Reports and Risk**

Audit Area	High Risks	Med Risks	Low Risks	Assurance Level
Car parking	0	6	3	Substantial
Information Governance	1	11	7	Limited
Annual Governance Review	0	4	13	Moderate
Confidential Waste	0	4	3	Limited
Fairhaven Lake	0	4	2	Limited
Sundry Debtors	0	4	3	Substantial

Council Tax and Business Rates Refunds: Blackpool	0	1	5	Substantial
Council Tax and Business Rates Refunds: Fylde	0	0	5	Substantial
Business Rates (Financial Control Assurance Testing)	0	0	0	Full
Council Tax (FCAT)	0	0	0	Full
Housing Benefits (FCAT)	0	0	0	Full
<b>Total</b>	<b>1</b>	<b>34</b>	<b>41</b>	

2.5 There was one important internal control weakness brought to the attention of management during the period, and eight brought forward from previous years. The previous year's actions have been completed in full (one subject as noted in the table), and the current year's action has also been completed.

2.6 Table Two sets out the issues, the current position and/or agreed date for resolution.

**Table Two: High Priority Risks Identified**

<b>Risk</b>	<b>Resolution Date</b>	<b>Comment</b>
<b>Previous Year's Risks</b>	-	
1. The Finance Team will take responsibility for compiling an up-to-date contracts register and maintaining it thereafter.		Completed
2. The contracts register will be published in accordance with the Local Government Transparency Code 2015.		Completed
3. Unsuccessful bidders must be sent the mandatory 'Alcatel' letter at the conclusion of the procurement process both to allow a standstill period of at least 11 days for an effective challenge to the award decision before the contract is concluded and to provide details of the tender evaluation scores	-	Completed
4. Responsibility for the delivery of the risk management function will be allocated to a competent resource on a permanent basis. Once appointed the risk management pages of the Intranet will be updated with the details of the responsible officer.	-	Completed
5. The Senior Coast & Countryside Officer will be designated as responsible for managerial supervision of Fairhaven Lake and for maintaining evidence of checks undertaken and any actions arising.		Completed

6. A programme of regular business continuity exercises will be carried out in accordance with the Business Continuity Management Policy to test the effectiveness of all of the council's business continuity plans.		Outstanding (plans to be tested in Summer 2018, as reported to committee in January)
7. Undertake an exercise to confirm that suitable support and maintenance agreements are in place for all ICT services and systems as a matter of urgency, and suitable actions taken to address any areas of weakness.	-	Completed
8. Ensure procedures are developed so that each service is made aware of support and maintenance agreements as contracts expire to enable them to respond with replacements or reviews agreed in a timely manner to maintain cover		Completed
<b>Current Year's Risks</b>	-	
9. A self-assessment of the Council's compliance against an appropriate information governance framework will be undertaken to see whether its arrangements concerning information is handled correctly and protected from the risk of a data breach, unauthorised access, loss, damage and destruction.		Completed
<b>3 Follow-Up Work</b>		
3.1 Follow-up reviews are intended to catalogue post audit actions and help management to track implementation of agreed actions. Follow-up work is carried out on a continuous rolling basis until agreed actions are completed, or until management takes a specific decision not to implement an action. Follow-up work is therefore dependant to a significant degree by the commitment of management to the agreed actions, as well as by the capacity of the audit team.		
3.3 Many of the performance indicators usually reported to committee in the interim report are either not available or would not be meaningful because of low sample values. Full information will be provided in the internal audit annual report, and in the meantime information on specific audits can be made available on request.		
<b>4 Special Investigations and Counter Fraud Work</b>		
<u>Investigations</u>		
4.1 During the year to the 31 <sup>st</sup> December four new investigations into allegations of fraud were commenced. None concerned allegations of wrongdoing by officers or members, and internal audit involvement in each concluded by recommendations being made to management (and accepted) on improvements to procedures.		
4.2 Table Three summarises the results of the investigations into fraud and corruption for previous years.		

**Table Three: Results of Special Investigations**

<b>Outcome</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Disciplinary action	-	-	1		
Management action	-	-	2	1	4
Third party restitution	- 1	-	-		
No evidence to support allegation	2	-	1		
Inconclusive evidence	- -	1	1		
Investigation terminated	- -	1	-		
Investigation ongoing	- -	-	-		
<b>Total</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>4</b>

**National Fraud Initiative (NFI)**

4.3 The Head of Internal Audit normally acts as key contact for the National Fraud Initiative, though this role is being filled by the Head of Governance until the appointment of a new post holder.

**Shared Fraud Service**

4.4 The Head of Internal Audit is responsible for overseeing the delivery of the shared fraud service provided by Preston City Council. The service is tasked with investigating fraud, bribery and corruption by employees, members, contractors, consultants, suppliers, service users and members of the public who have dealings with the Council. This excludes responsibility for the investigation of housing benefit fraud, which transferred to the Department for Work & Pensions in 2015.

4.5 In the current year the shared service has undertaken the annual NFI Council Tax to Electoral Register matches, the NFI biennial report, pro-active reviews of Council Tax Support cases and a pro-active drive of small business rates relief. The service is still working on the Council Tax Support reviews with 30 + cases awaiting re-assessment with Blackpool. The NNDR small business rates relief drive is also ongoing and should prove fruitful. Some incorrect reliefs have already been identified/resolved and the service has started looking at industrial units earlier this month, this will produce further savings.

4.6 Recovered overpayments to the end of January 2018 amount to £29,367.55. The service is confident of reaching its target for the year of £40,000.

4.7 The Finance and Democracy Committee [recently approved](#) the extension of the shared fraud service for a further three years, from June 1 this year. The head of the shared fraud service will report to the new Head of Internal Audit, when appointed.

**Whistleblowing**

4.8 There have been no employee whistleblowing referrals during the current year to date.

**5 Internal Audit Plan**

5.1 The original Audit Plan was approved by the Audit Committee in March 2017 and reflected the prevailing organisational risks and priorities for Internal Audit input at that time. Table Four summarises the current position with each of audit reviews included in the plan

**Table Four: Internal Audit Plan 2017/18 at 31 December 2017**

<b>Audit Areas</b>	<b>Plan Days</b>	<b>Status</b>
<b>Core Financial Systems</b>		
Council tax collection (joint)	20	Testing
Business Rates (FCAT)	12	Ongoing
Cash Collection	18	Not started
Council Tax (FCAT)	12	Ongoing
Creditors/Purchasing	10	Draft report
Housing Benefits Risk Based Verification	20	Ongoing
Housing Benefits (FCAT)	12	Ongoing
Payroll FCAT	12	Not started
Treasury Management	16	Not started
<b>Other Risks</b>		
Car Parking	5	Completed
Coastal Defence Project – Assurance Assessment	20	Not started
Disabled Facilities Grant	16	Draft report
Emergency Planning	16	Draft report
Green Waste Charges	15	Not started
HMO Licensing	12	Not started
ICT Allowance – Paper Reduction Project	4	Not started
Information Governance	3	Completed
Personal Data Handling & Security	15	Not started
<b>Corporate Governance</b>		
Annual Governance Review	14	Completed
Audit Committee - Effectiveness	2	Not started
Internal Audit – Review of Effectiveness	2	Completed
Risk Management	16	Draft report
<b>Computer Audit</b>		
ICT	16	
<b>Anti- Fraud</b>		
Corporate Fraud	5	Ongoing
National Fraud Initiative <sup>1</sup>	5	
Prevention of Fraud & Corruption	5	Completed
<b>Follow Up</b>		
Follow Up Reviews	15	Ongoing
<b>Communication &amp; Consultancy</b>		
Consultancy & Advice	20	Ongoing
Communication/Liaison	23	Ongoing
Public Sector Internal Audit Standards – Review of peer	10	Deferred
<b>Reactive Work</b>		
Contingency	15	Ongoing
<b>Total</b>	<b>406</b>	

<sup>1</sup> Lead officer responsibility for the National Fraud Initiative has been transferred elsewhere until the appointment of a new Head of Internal Audit



6.2 The percentage of the audit plan expected to be completed by the end of the financial year is 56%. This is due in the main to the fact that the reduction in team capacity of 28% caused by the retirement of the previous head of internal audit was not reflected in the plan.

6.3 Despite the above, the team will endeavour to provide assurance on fundamental financial systems and significant corporate matters, allowing an incoming Head of Internal Audit to formulate an opinion of the overall adequacy and effectiveness of the Council's control environment as required by the Public Sector Internal Audit Standards.

**FURTHER INFORMATION AVAILABLE FROM**

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

# INFORMATION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	15 MARCH 2018	8
<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 March 2018, 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
18 January 2018 – March 2018	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 [ianc@fylde.gov.uk](mailto:ianc@fylde.gov.uk).

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	15 MARCH 2018	9

### EXCLUSION OF THE PUBLIC

#### PUBLIC ITEM

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

#### RECOMMENDATION

Members are invited to consider passing a resolution concerning the exclusion of the public from the meeting in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972 on the grounds that the business to be discussed is exempt information as defined under paragraphs 1 and 2 (Information relating to an individual and Information which is likely to reveal the identity of an individual) of Schedule 12A of the Act.