

Audit Sub-Committee



Date	22 June 2006
Venue	Town Hall, St Annes
Committee members	Keith Hyde (Chairman) Derek Lancaster, Raymond Norsworthy.
Other Councillors	John Coombes
Officers	Phillip Woodward, Dave Joy, Tracy Scholes, Brian White, Savile Sykes, Annie Womack, Andrew Wilsdon
Others	Gareth Winstanley

1. Appointment of chairman and vice chairman

RESOLVED- That Keith Hyde be appointed chairman and Fabian Wilson appointed as vice-chairman.

2. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000.

3. Substitute members

The following substitution was reported under council procedure rule 22.3:

Councillor Raymond Norsworthy substituted for Councillor Fabian Wilson.

4. The role of external audit

The Audit Commission is an independent body responsible for ensuring that public money was spent economically, efficiently and effectively to achieve high quality local services for the public.

Gareth Winstanley from the Audit Commission provided members with a verbal presentation on the role of external audit. Mr. Winstanley produced an information pack, which explained:

- ♦ what the Audit Commission was
- ♦ the Code of Practice it operates to
- ♦ an explanation of the timing of audit work at Fylde
- ♦ how the results of audit activity/work was reported

- ♦ who was in the Audit Commission Team in Lancashire
- ♦ the working links with the Council's Internal Audit Team
- ♦ details of recent work undertaken within the council

The Sub-Committee sought clarity on the role of the Audit Commission in Comprehensive Performance. Mr. Winstanley clarified that the CPA inspection was not carried out by the local Lancashire team, although the work it undertook was considered by the CPA inspection team. Mr. Winstanley also confirmed that although a substantial focus was given to accounts/use of resources that the work of the Commission could also focus on more operational activity such as the recent Environment Inspection undertaken in May.

RESOLVED - Members thanked Mr. Winstanley for his report, which was noted.

5. Annual Audit & Inspection Letter 2004/05

Gareth Winstanley presented the annual audit and inspection letter, which summarised the results of the Audit Commission's inspections of the Council in relation to the year 2004/05.

The Annual Audit and Inspection letter contained a key message section and Mr. Winstanley used this part of the letter as the focus for his presentation. Mr. Winstanley commented that this was a very positive report with respect to performance and a number of successes were noted including the attainment of awards for services and the successful establishment of the customer contact centre. The council had sharpened up its processes leading to improved performance but in the future needed more of a focus on outcomes for the customer.

Mr. Winstanley reported that the letter had been produced in March 2006 and at that time, an issue had been raised that mutual respect between members and officers had not always been clear. However, Mr. Winstanley was happy to report that since the time of the audit much had been done that had improved circumstances including the establishment of interim management arrangements.

Commentary on accounts reiterated the need to improve working papers provided to support the final accounts but Mr. Winstanley acknowledged that processes to support the closure of the final accounts were moving in a positive direction due to extra capacity that had been built into the accountancy team.

Other significant comment related to the Use of Resources assessment, which had seen the council score 2 out of 4. However, Mr. Winstanley commented that this had been a new stringent requirement to meet and he was very encouraged to see an Action Plan had been developed to improve the score in the future.

The Sub-Committee raised a question on the debt level of the council. Brian White, Finance Executive Manager provided assurances that the council was being proactive in trying to reduce the debt level. This included the appointment of two debt collection agencies.

Following discussion it was **RESOLVED -**

1. That the Annual Audit & Inspection Letter presented by the Audit Commission be noted and Mr. Winstanley thanked for his commentary.

2. That the Cabinet takes account of the actions recommended by the Audit Commission within its corporate planning framework.

6. Internal audit annual report 2005-06

Savile Sykes (Head of Internal Audit) presented the report, which summarised the work undertaken by internal audit from April 2005 to March 2006 and performance information for the same period.

The Annual Report provided an opinion on the adequacy and effectiveness of control within the Council. This opinion was based on the circumstances noted from a selection of risk-based systems audits and other work carried out during the year.

The report also summarised the activities of internal audit for the financial year 2005-6 to provide managers and members with the opportunity to review the service provided to the Council.

Mr Sykes pointed out some of the main messages from the report to the committee. He drew attention to the fact that 91% of the annual audit plan had been achieved, exceeding the target of 90%. He went on to indicate that the assurance work undertaken during the year indicated the control framework was generally adequate and for the main financial systems was satisfactory with most controls operating effectively.

A question was raised by the Audit Sub-Committee about the internal audit review of contracts and tendering which was undertaken in 2005/06, which had resulted in the lowest assurance rating out of all audits undertaken across the year. Mr. Sykes, the Audit Manager said he hoped that this rating would improve as a result of the audit and recommendations put in place. Mr. Woodward, Chief Executive reported that capacity had again been built into this area including the appointment of a Procurement Officer in October 2005.

A further question centred on the fact that whilst it appeared Managers were content to accept the recommendations of the Audit Manager, the actual implementation of these recommendations was a lower figure. Mr. Sykes reported that implementation rates had risen from 55% to 72%, a significant year-on-year improvement. He suggested that rates were rising due to several initiatives including alerting managers when the final implementation dates had passed. Such measures also included bringing the non-implementation of 'High' priority recommendations to the attention of 'sphere of responsibility' meetings. Mr. Woodward also commented that performance was also measured through the annual appraisal system, which he and the Deputy Chief Executive were keen to fully embed into the authority, and would be giving this particular focus in forthcoming months.

Following consideration it was RESOLVED That the Internal Audit Annual Report be noted.

7. Strategic risk register

Andrew Wilsdon (Risk Management Officer) presented the detailed report and made reference to strategic risk management being an integral requirement of Comprehensive Performance Assessment and how it also played a key part in the

recent Audit Commission assessment of the Council on 'Use of Resources'.

It was a requirement of the Audit Commission that elected members should receive reports on strategic business risks to satisfy themselves that corporate risks were being actively managed. It would be a part of the Work Plan of this Sub-Committee to receive such reports and make judgements.

The report before members summarised the work undertaken by the Council's Insurance & Risk Management Officer in producing the Strategic Risk Register for 2006-2007, the reviewing of the Risk Management Strategy together with an overview of the internal process used to compile and monitor these risks on an annual basis.

Members queried the apparent omission of some areas of risk but Mr. Wilsdon outlined that there were two differing levels of risks, operational and strategic. The report before members dealt with strategic risks but in order for the council to fully embed risk management, in line with the requirement of the Audit Commission, Executive Managers should be compiling Operational Risk Registers within their units which would deal with some of the issues which would be more familiar to most elected members. It was also commented that risk management was a difficult issue for most members to understand and Mr. Wilsdon reported it was his intention to repeat awareness raising training session, which had been held for elected member in 2004.

Following consideration it was RESOLVED

That the Strategic Risk Register for 2006-2007 is noted.

That the Risk Management Strategy for 2006/07 be approved.

8. Statement on internal control 2005/06 – action plan

Savile Sykes (Head of Internal Audit) presented the report and informed members that the Council was required to carry out a review of its control environment at least once a year and to publish a Statement on Internal Control (SIC). An action plan to remedy any weaknesses in control also had to be agreed. Fylde Borough Council was responsible for ensuring that its business was conducted in accordance with law and proper standards. The Council also had an obligation to make arrangements to secure continuous improvement in the way, in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities the Council was required to maintain a sound system of internal control, which facilitated the effective exercise of its functions. In accordance with the Accounts & Audit Regulations 2003, a review of the effectiveness of the control framework must be performed and a Statement on Internal Control published annually.

The Statement on Internal Control for the year ended 31 March 2005, together with its associated Action Plan, were adopted by the Council at its meeting on 28 July 2005.

There was a need for an appropriate member forum to keep the Action Plan under review and as a result it was further considered by the Performance Improvement Community Forum on 21 November 2005.

The terms of reference of the Audit Sub-Committee now encompassed this reviewing

function.

Mr Sykes commented that of 16 actions included to secure improved internal control 9 actions had been fully completed, while 5 actions were currently ongoing with significant progress having been made. The remaining 2 items had been included in the Action Plan for 2006/07.

Questions from the Sub-Committee were raised with respect to these two actions both of these relating to the corporate complaints process. Mr. Joy, Deputy Chief Executive reported that these issues had not been addressed because the activity had been subsumed within the work of the Customer Contact Centre Team who had been considered the most appropriate group of staff to deal with the issue. However, due to the recent focus of their work being on increasing the level of performance in the telephone contact centre, the complaint monitoring work had been put to one side. However, assurances were given that this would be picked up in 2006/07 action plan.

RESOLVED That the outturn of the SIC Action Plan 2005/06 be noted.