Working together for excellence

FYLDE BOROUGH COUNCIL

Meeting Agenda

Audit Sub-Committee
Town Hall, St Annes
22 June 2006, 11.00am

AUDIT SUB COMMITTEE

COUNCILLORS

Councillor Keith Hyde
Councillor Derek Lancaster
Councillor Fabian Wilson

Contact: Peter Welsh, St. Annes (01253) 658502, Email: peterw@fylde.gov.uk

FYLDE BOROUGH COUNCIL

CORPORATE OBJECTIVES

The Council's investment and activities are focused on achieving our five key objectives which aim to :

- Conserve, protect and enhance the quality of the Fylde natural and built environment
- Work with partners to help maintain safe communities in which individuals and businesses can thrive
- Stimulate strong economic prosperity and regeneration within a diverse and vibrant economic environment
- Improve access to good quality local housing and promote the health and wellbeing and equality of opportunity of all people in the Borough
- Ensure we are an efficient and effective council.

CORE VALUES

In striving to achieve these objectives we have adopted a number of key values which underpin everything we do :

- Provide equal access to services whether you live in town, village or countryside,
- Provide effective leadership for the community,
- Value our staff and create a 'can do' culture,
- Work effectively through partnerships,
- Strive to achieve 'more with less'.

A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
1. **APPOINTMENT OF CHAIRMAN AND VICE CHAIRMAN:** *To appoint a Chairman and Vice Chairman for the Audit Sub Committee.*	4
2. **DECLARATIONS OF INTEREST:** *In accordance with the Council's Code of Conduct, members are 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.*	4
3. **SUBSTITUTE MEMBERS:** *Details of any substitute members notified in accordance with council procedure rule 25.3*	4
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REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
AUDIT COMMISSION	AUDIT SUB COMMITTEE	22 JUNE 2006	4

THE ROLE OF EXTERNAL AUDIT

Public/Exempt item

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

Summary
Gareth Winstanley from the Audit Commission will provide members with a verbal report on the role of external audit.

Recommendation/s
1. That members note the report

Implications	
Finance	None
Legal	None
Community Safety	None
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	None

Report Author	Tel	Date	Doc ID
Name of author	(01253) 658	14 July 2006	

List of Background Papers

Name of document	Date	Where available for inspection
The Role of External Audit	14 July 2006	www.fylde.gov.uk

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
AUDIT COMMISSION	AUDIT SUB-COMMITTEE	22/06/06	5

ANNUAL AUDIT & INSPECTION LETTER 2004/05

Public/Exempt item

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

Summary

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

This annual report summarises the results of the Audit Commission's inspections of the Council in relation to the year 2004/05.

Recommendation/s

1. That the Annual Audit & Inspection Letter presented by representatives of the Audit Commission is noted.

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

Executive Portfolio

The item falls within the following executive portfolio[s]:
Strategic Leadership (Councillor John Coombes)

Implications	8
Finance	
Legal	
Community Safety	
Human Rights & Equalities	
Sustainability	
Health & Safety and Risk Management	

Report Author	Tel	Date	Doc ID
Audit Commission	020 7828 1212	Date of report	March 16, 2006

List of Background Papers		
Name of document	Date	Where available for inspection

Appendix A – Annual Audit Inspection Letter

Annual Audit and Inspection Letter

Fylde Borough Council

Audit 2004/2005

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve
high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Document Control	
Author	Gareth Winstanley
Filename	Fylde Annual Audit and Inspection Letter doc- VERSION SENT TO bILL

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

Contents

Fylde Borough Council

Key messages

Council performance

1 The Council continues to progress well in addressing its improvement priorities and the weaknesses identified in the CPA and in the Progress Assessment report 2004 but some key issues have not yet been adequately resolved.

2 Mutual respect between officers and councillors has not always been present across all of the Council and this continued to present a significant barrier to effective community leadership, decision-making and the delivery of the modernisation agenda during 2004-05.

3 The departure of the Chief Executive has undoubtedly created some uncertainty and initially slowed down the pace of progression. However, we are encouraged that the new interim arrangements has started to address some of the key issues facing the Council, in particular, member officer relationships, which we understand have improved.

4 Recent actions by the Council have resulted in improvements for users, such as extended recycling facilities, expanding CCTV to enhance community safety and development of access to its services through a contact centre and enhancements to its website. The Council has also focused on developing strategies to further improve services and to develop a culture of continuous improvement.

5 The Council has strengthened its focus on improvement by updating its key plans with a greater emphasis placed on outcomes for local people. Community engagement has improved through the use of community forums. This is providing additional challenge to performance and improved focus on achieving impact in priority areas for the public.

6 An inspection of the Council's approach to customer access concluded that the Council provides a 'fair' one-star service that has promising prospects for improvement. An action plan for further improvement has been agreed.

The accounts

7 We issued an unqualified opinion on your accounts on 6th October 2005. Progress has been made this year in providing supporting information to verify the accounts however, the Council needs to continue to improve the working papers provided to support the accounts at the commencement of the final accounts audit.

8 Some work remains to be done to ensure that the Council is well placed to meet the earlier deadlines for the closure of the accounts and production of financial statements in 2005/06, especially given the introduction of new financial systems from April 2006.

Fylde Borough Council

Financial position

9   The overall financial position of the Council remains tight despite the level of general fund balances being above the Council's own pre-determined prudent levels. The level of Council indebtness at the end of March 2005 totalled £4.8m, with a number of debts several years old. The Council needs to continue to explore ways to improve debt collection rates.

Other accounts and governance issues

10   We have not identified any significant weaknesses in the overall control framework, however progress is needed to embed risk management arrangements throughout the Council. The Council has effective arrangements in place for the prevention and detection of fraud and corruption.

Best value Performance Plan

11   Your best value performance plan (BVPP) complies in all significant respects with statutory guidance. An unqualified audit report was issued on 23rd December 2005.

Use of Resources

12   The Council scored 2 out of 4 under our assessment of the Council's Use of Resources. The assessment evaluates how well councils manage and use their financial resources and a score of 2 is deemed as reflecting adequate performance. Although the Council has some progress to make before it can reach the next level, it has already started to put in place some of the necessary arrangements needed.

Action needed by the Council

13   The Council is urged to take the following actions:

- continue to seek to identify ways of improving officer/member relationships to ensure that decisions are made for the greater good of Fylde Borough Council;

- implement the action plan arising from the customer access inspection;

- address the issues arising out of the progress assessment report;

- ensure complete and comprehensive final accounts working papers are provided at the commencement of the final accounts audit;

- develop more embedded risk management processes that ensure risk management is considered appropriately throughout the Council; and

- build on the strengths identified from the use of resources assessment and develop action plans to focus on those areas required to be in place to achieve the next level.

Fylde Borough Council

Council performance

Progress assessment report

14 Fylde BC was assessed as weak in the Comprehensive Performance Assessment carried out in 2004. These assessments have now been completed in all district councils with the following results.

Figure 1   Overall performance of district councils in CPA

Three times as many district councils are rated Good or Excellent than Poor or Weak
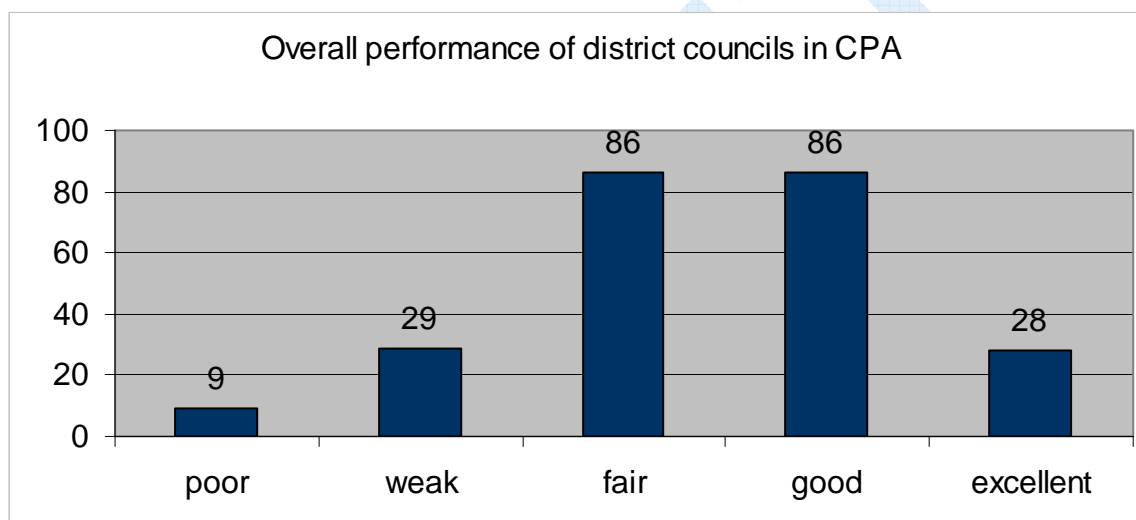
Source: Audit Commission

15 Since the assessment, the Council has identified its priorities for improvement and we have been working with the Council as it seeks to improve further.

16 Overall the Council continues to progress well in addressing its improvement priorities and the weaknesses identified in the CPA and in the Progress Assessment report 2004 but some key issues have not yet been adequately resolved. The capacity to sustain progress and implement future plans may be adversely affected pending the appointment of a new chief executive, financial constraints and the reluctance of some members to embrace the modernisation agenda.

17 The Council has focused on developing strategies to further improve services and to develop a culture of continuous improvement. Generally, councillors and staff have a good understanding of the Council's priorities and their contribution to achieving them, although some staff have difficulty in relating their work to community and corporate plans.

18 The Council has strengthened its focus on improvement by updating its key plans with a greater emphasis placed on outcomes. It plays a key role in the development of the local strategic partnership (LSP) by providing financial and officer support. By jointly supporting community projects there have been some positive outcomes for local people.

19 Progress has been made on clarifying what are and what are not the Council's priorities for improvement and councillors are now using this in determining the allocation of resources. This has led to less investment or disinvestment in some services in 2005/06. However, recently, the Council has, subject to further political debate, resolved not to introduce a more equitable distribution of resources and access to services between rural and urban areas, which is likely to have a major effect on the 2006/07 budget in terms of reductions or withdrawal of some services. Councillors continue to face some significant decisions on the future provision of certain services.

20 Community engagement has improved through the use of community forums. This is providing additional challenge to performance and improved focus on achieving impact in priority areas for the public.

21 The Council has made progress in developing capacity and performance management systems to deliver its priorities. Some councillors have taken up personal development opportunities but others are resistant. Councillors can be overly focused on ward, rather than borough-wide issues. Furthermore, councillors do not always appreciate the likely public response to political decisions, such as disinvesting in services. Mutual respect between officers and councillors has not always been present across all of the Council. This has presented a significant barrier to effective community leadership, decision-making and delivery of the modernisation agenda.

22 Increased officer capacity from within the Council is being is being used to drive forward corporate agendas. Sickness absence was managed more robustly in 2004/05 but half year indications for 2005/06 suggest that this has not been sustained. Most service targets were achieved but some were not due to staff shortages and recruitment difficulties. Partnerships are being used effectively to deliver priorities, for example, by working with other councils. Financial management systems continue to be improved as the Council strives to be informed by needs rather than available resources. The Council is attracting resources for future investment to achieve further improvements in services. It is addressing key gaps in its corporate arrangements such as asset management.

23 Overall service quality continues to improve. Over a third of key service indicators are in the top 25 per cent performance. Other key improvements include:

- a single point of contact for council services;

- local regeneration schemes;

- streetscene, housing and leisure services and facilities; and

- determining planning applications in a timely manner.

Fylde Borough Council

24 However, the Council is not yet having a significant impact on meeting the needs of all sectors of the community. It still has not addressed the perception that resources and services are unfairly distributed between rural and urban areas. Access to public buildings remains an issue for people with disabilities.

25 The Council has a good level of self-awareness. It responds positively to independent reviews. Learning has improved but there is further scope to share good practices across the Council and use benchmarking more proactively to drive improvements. Service planning has been strengthened to increase impact on corporate priorities and cross-cutting issues, but all links are not maximised.

Other performance work

26 During the year we undertook two pieces of work designed to assess progress and support the Council as it develops its performance management arrangements. In April, we reported that the Council was making good progress in developing and improving performance management. It is more focused on its corporate objectives and has strengthened its service planning framework. A process has begun to align financial and service planning so that its priorities drive budget allocations. Monitoring and reporting arrangements have also been strengthened.

27 The Council recognises that 'performance management at Fylde is about embedding performance management at every level in the organisation from individuals to the top priorities in the community plan'. It has introduced a more effective employee Performance and Development Appraisal scheme with revised competences for employees and managers.

28 A number of issues need to be addressed, including:

- focusing on outcome measures of performance;
- aligning performance measures to corporate priorities;
- communicating standards and achievements;
- providing a more rounded view of services' performance; and
- assessing the cost-effectiveness of services.

29 Our later piece of work also found that progress was being made with regard to integrating performance management arrangements throughout the Council. We found that the Council has made good progress in embedding performance management within the culture of the organisation:

- councillors and senior managers are more purposeful and clear about what the Council is seeking to achieve;
- the Council's vision and priorities are underpinned by service plans to ensure a continuing focus on the major issues at all levels across the Council;and
- progress is reported at all levels; and the Council is now focusing resources on its priority areas.

30   However, some issues still need to be addressed, including:

- a lack of awareness amongst some staff and councillors for the allocation of resources to corporate and service objectives;

- clear guidance for staff on linkages between corporate priorities and their day to day work;and

- opportunities for all staff to contribute to the setting of service, objectives and standards; and inconsistency in giving feedback to staff on their own performance.

31   An action plan has been agreed with officers to address the issues which arose from our work.

Other Audit Commission inspections

32   During the year we undertook an inspection of Fylde's approach to improving services through customer access and focus. The Council was assessed as having a 'fair' one-star approach to customer access and user focus that has promising prospects for improvement.

33   We identified that the Council faces a significant challenge as there was no clear direction for its work on customer access and focus. This meant that the Council had difficulty determining whether it had the right capacity and capability to make improvements in the future. The Council had made improvements in the way that customers can access services from a low baseline. Whilst improvements have happened, these have been undertaken with little involvement of the customers who will receive the services. There is also a lack of customer engagement in developing and improving services. Most significantly, the Council's approach to understanding and addressing issues of equality and diversity remain underdeveloped.

34   The inspection identified a number of strengths including:

- a wide range of opportunities for customers to access council services through the customer contact points, call centre and internet kiosks have recently been introduced;

- staff in customer contact points and in the call centre are well motivated and committed to their work;

- consultation exercises have resulted in improvements in some services;

- partnership working generally has begun to improve including work with parish councils;

- corporate service standards for answering telephone calls are in place and are understood by employees;

- there had been an increase in the level of services that can be accessed electronically; and

- outreach work had been successful in improving services in a number of areas particularly housing benefits and through work with young people.

35 However, some matters need attention, including:

- there had been little progress in ensuring equality of access or tailoring services to reflect the diversity of local needs;

- a lack of customer involvement in service developments overall;

- service standards for all service areas had not been introduced;

- no overall pricing policy for council services that take into account the ability to pay and the levels of household income;

- a lack of sharing learning and good practice across the Council;

- the Council's complaints system had not been implemented in all services; and

- a lack of customer focus in partnership working.

36 The inspection team made the following recommendations that the Council should:

- identify a lead at chief officer and councillor level to take forward its approach to customer access and focus;

- develop a strategic approach and action plan to improve customer access and focus across all services, including customer involvement in service developments. The strategic approach should include key outcomes and actions which should be scrutinised by councillors on a frequent basis;

- develop an approach and action plan with the involvement of partners to improve customer consultation and engagement, including 'hard-to-reach groups';

- monitor trends in customer and community satisfaction with Council services and respond where performance is falling or below average;

- ensure that its corporate approach to diversity and equality includes reviewing the impact of pricing policies for services; and

- ensure that support services such as the language line and service standards are actively promoted.

Accounts and governance

Audit of 2004/05 accounts

37 In advance of our opinion work, we review the Council's core financial processes to enable us to assess whether they provide a basis for the preparation of accounting statements which will be materially accurate. We review the controls operating around the main accounting system, budget setting and monitoring procedures and the arrangements for the preparation of the final accounts.

38 We concluded that we can continue to place reliance on the main accounting system not to produce material misstatements. However, we recommended that a number of processes could be improved, including the need to produce the bank reconciliation on a more timely basis after month end.

39 Our review of budgetary control arrangements allowed us to conclude that they are sufficient to provide assurance as to the material accuracy of entries in the statement of accounts. We found that reporting to members has improved although there is still some progress to be made to enable quarterly budget monitoring.

40 We reviewed the Council's final accounts closedown arrangements and were able to conclude that on the whole improvements had been made during the year to ensure that the necessary processes were in place for effective and timely production of the Council's financial statements.

41 It is important to maintain the timeliness of the production of the final accounts, since for 2005/06 the deadlines for approval and audit of the financial statements are brought forward by a further month to meet the Government's requirements.

Matters arising from the final accounts audit

42 We gave an unqualified opinion on the Council's accounts on 6th October. Members approved the accounts on 27th July 2005 in accordance with the planned timetable and we completed our audit of the accounts to meet the earlier deadline of 31 October. The deadline for the production and audit of the 2005/06 accounts comes forward another month to 30 June and 30 September respectively. We will continue to work closely with officers over the coming months to ensure the earlier deadlines are met, however there remains a need for the Council to ensure that a complete set of working papers are available at the start of the final accounts audit.

43 In April 2005 the Authority increased its resource capacity with the appointment of an experienced accountant to the post of Accountancy Services Manager. This appointment significantly improved the preparation of this year's statements and led to a relatively straightforward final accounts audit. The additional resource capacity enabled the Authority to have its statements adopted by members one month earlier than the previous year. This had been achieved within a relatively

Fylde Borough Council

short space of time and in line with the Government's requirements for earlier closedown of accounts.

44   There does, however, remain a need for the authority to continue to explore all options for increasing resource capacity and experience within the accountancy section. This is essential to ensure that it continues to develop sufficient technical skills and capacity to further improve the financial statements preparation process in future years. This will be particularly important given that the deadline for preparing and approving next years statements will be brought forward by one month to June 2006, and with the implementation of new financial systems from April 2006.

Report to those with responsibility for governance in the Council

45   The auditing standard which applies to our audit of your accounts, Statement of Auditing Standard (SAS) 610 'Reporting to Those Charged with Governance', requires us to report issues arising from our audit to members.

46   Our work in respect of the financial statements identified a number of issues of sufficient significance to require a formal report. We presented those issues to Full Council on 26th September, we reported that the quality of the working papers provided to support the financial statements had improved from a particularly low base last year. There does, however, remain a need to ensure that the working papers provided by all staff are of a consistently high standard and are prepared as part of the preparation of the statements, rather than as an exercise after the accounts have been produced.

Financial standing

47   The overall level of general fund reserves has fallen since last year, however this was as a result of a transfer to earmarked reserves of £916,000. Whilst the overall level of general fund balances remains above the prudent levels determined by the Council, it is essential that the Council continues with its policy of not relying on general fund balances to support revenue expenditure, as in the long term this is unsustainable. We will continue to support the Council in its approach to budget setting which clearly focuses on those service areas which contribute directly to the Council's corporate objectives.

48   The table below shows that the Council has combined general fund and earmarked reserves of £2.6m.

EXHIBIT 1 LEVEL OF BALANCES

Year	General Fund	Earmarked Reserves	Total
	£000	£000	£000
2001/02	1,246	684	1,930
2002/03	1,712	859	2,571
2003/04	1,270	980	2,250
2004/05	775	1,896	2,671
Prudent level determined by Authority	500,000	n/a	

49 In 2005 Members approved Fylde's capital programme for 2004/05 which was set at £2.3m. This was subsequently revised during the year with a revised capital budget agreed for 2004/05 of £4.3m. The final capital out-turn position for the year showed that there had been slippage during the year of £1.1m representing 25% of the revised capital programme. Although there has been slippage during 2004/05 we are satisfied that there is as an appropriate level of capital monitoring that highlights at an early stage any potential slippage on individual schemes.

50 The amount owed to the Council by debtors has fallen in the year by £325,000, and at the end of 2004/05 gross arrears stood at just over £4.8m. The table below summarises the key elements of the councils arrears balance. Approximately £1.4m of the debtors figure relates to debts that are in excess of twelve months old, and in some cases the debts go back as far as being in excess of six years old.

EXHIBIT 2 TOTAL INDEBTEDNESS

Year	Council Tax	NDR	Other debts	Total
	£000	£000	£000	£000
2001/02	1,213	556	2,504	4,273
2002/03	1,180	580	4,329	6,089
2003/04	1,200	373	3,610	5,183
2004/05	1,237	582	3,039	4,858

51 It remains a key priority for the Council that it continues to explore all available options for reducing the amount of outstanding debts owed to the Council and to challenge whether some of the debts going back several years should be written off.

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Systems of internal financial control

52 We have not identified any significant weaknesses in the overall control framework, however the Council needs to progress its arrangements to embed risk management.

53 The Council continues to develop its risk management arrangements and it remains important that risk management arrangements are fully embedded throughout the Council. The Council should focus on ensuring that there is a comprehensive operational risk register in place.

54 As part of last year's SAS 610 report we commented that service managers were not responding in a prompt manner to recommendations made by Internal Audit. We are pleased to report that some improvement have been made and the percentage of internal audit recommendations now implemented has improved in recent months. It is important that service managers continue to addresses weaknesses in a timely manner.

Internal Audit

55 During the year we undertook a review of Internal Audit. We concluded that we can continue to be able to rely on the work undertaken by the section, and that it provides an effective component of the Council's control environment.

Standards of financial conduct and the prevention and detection of fraud and corruption

56 We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption. The Council has been proactive in its approach to try and raise the standards of ethical behaviour amongst members and staff. Internal Audit has recently re-run a fraud awareness survey and has also obtained declarations from officers that they have read and understood the employees code of conduct. There are a number of further improvements that could be made to strengthen governance arrangements, in particular:

- ensuring ethics training is provided to officers;

- provide code of conduct refresher training for members;

- establishing arrangements for the review of registers of interest for officers;

- increase the frequency of Standards Committee meetings and use the committee to challenge and monitor compliance with standards of conduct cross the council.

Legality of transactions

57 We have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions.

Use of resources judgements

58 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the Authority. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit. We anticipate in future the Use of Resources judgements will form part of future district council's CPA framework.

59 It is a more stringent test than the auditor scored judgements that formed part of the comprehensive performance assessment (CPA) framework up until 2004. The scope of the assessment has also been widened. Previously, 'adequate arrangements' were sufficient to score 3, but under the new approach meeting 'adequate performance' will score 2. Scoring is based on the following scale:

1	Below minimum requirements – inadequate performance
2	At minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

60 We have assessed the council's arrangements in five areas.

Table 1   Councils arrangements

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall	**2 out of 4**

(Note: 1=lowest, 4=highest)

61 In reaching these judgements we have drawn on the above work and supplemented this with a review against specified Key Lines of Enquiry (KLoE).

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62 The findings from this work have been reported to and discussed with senior officers. The key strengths and, where appropriate , the opportunities for improvements are set out below:

Financial Reporting

- the Council's accounts were produced in accordance with statutory timetables and standards;

- there is a need for a comprehensive set of working papers to be available at the start of the final accounts audit;

- the Council publishes its accounts and the Annual Audit Letter, and publicises how electors can exercise their rights in accordance with the Accounts and Audit Regulations;

- consider the preparation of summary accounts or an annual report based on stakeholder consultation to establish their requirements;

Financial Management

- the Council's medium term financial strategy (MTFS) is linked to key strategic objectives which models income and expenditure over a three year period;

- budgets are subject to review by officers and members and are appropriately assigned and monitored;

- closer alignment needed of service and financial planning;

- the MTFS should be communicated to staff and stakeholders;

- there is a good framework for monitoring and controlling financial performance and budgetary control arrangements are working well with monitoring information reported to members covering both financial and non-financial indicators;

- new policy developments should take account of project appraisals, business plans and affordability tests;

- develop operational activity indicators that are lead indicators of spend within budget monitoring;

- the Council has developed an up to date corporate Capital Strategy and Asset Management Plan linked to its corporate objectives and medium-term financial strategy;

- the Council's arrangements for reporting to members are recent and not yet sufficient to ensure that they fulfil their responsibility in relation to the corporate asset portfolio at both a strategic and service level;

Financial Standing

- the Council sets a balanced budget, taking account of financial constraints and identifying the necessary savings needed to bridge the gap between spending plans and resources;

- spending is contained within budgets, and the council monitors the budget throughout the year and where necessary takes appropriate corrective action;

- evaluate the effectiveness of recovery action and its associated costs;

Internal Control

- the Council has a member committee with responsibility for risk management;

- all committee reports include a risk assessment;

- there is a need to ensure that the risk management process is regularly reported to members during the year;

- ensure relevant staff receive appropriate training and guidance to manage risk within their working environment;

- members have become actively involved in SIC process including receiving update reports on the progress in addressing the 2004/05 weaknesses;

- the Council has an Internal Audit section that operates following the CIPFA code of practice;

- there remains a need to develop an embedded process that maps strategic objectives to risks, controls and assurances;

- establish arrangements for ensuring officers and members comply with the requirement of the councils code of conduct around disclosure of interests;

VFM

- the council is delivering some good quality services with high user satisfaction but the overall correlation with unit costs is mixed;

- on the whole there is a positive relationship between costs and the range, level and quality of services, including overheads and capital costs;

- the costs of services are influenced by local priorities but such factors but are not always clearly understood in terms of their precise impact;

- the Council has recently introduced a whole-life costing approach when making major investments but this has not been applied to all areas and business cases for other major projects need to be developed;

- councillors and senior managers identify and pursue opportunities to reduce costs or improve quality within existing costs but this is driven by financial planning rather than a regular review of relative costs and performance;

- value for money is not routinely scrutinised and challenged;

- the Council has some effective procurement practices and can demonstrate improvements in value for money from significant procurement exercises. However, it is not applying good practice in all procurement, reflecting the National Procurement Strategy.

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Other work

Grant claims

63 In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We have reduced our audit of these claims but our ability to reduce further depends on the adequacy of the Council's control environment.

64 There are areas where improvement could be made including the introduction of a grant claims coordinator, who will act as a single point of contact for all the council's grant claims, ensuring they are submitted to us on time and supported by appropriate evidence.

National Fraud Initiative

65 In 2004/05, the Council took part in the Audit Commission's National Fraud Initiative. The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000. The 2004/05 exercise has identified £16,475 worth of savings at Fylde.

Looking forwards

Future audit and inspection work

66 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter.

67 We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities and develop an agreed programme by 31 March 2006.

Revision to the Code of Audit Practice

68 The statutory requirements governing our audit work, are contained in:

- the Audit Commission Act 1998; and
- the Code of Audit Practice (the Code).

69 The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which has been agreed with [insert name of Committee] in [insert date] 2005. The key changes include:

- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
- a clearer focus on overall financial and performance management arrangements.

A new CPA framework

70 The Audit Commission is currently considering the results of the consultation on the proposals for revising the CPA framework for District Councils. The revised framework will be published and implemented during 2006..

Fylde Borough Council

Closing remarks

71 This letter has been discussed and agreed with the Acting Chief Executive. A copy of the letter will be presented at the [audit committee/cabinet/full council] on xx xxxx 2005.

72 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

73 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Signature

District Auditor

Month 2005

Appendix 1 – Background to this letter

The purpose of this letter

1   This is our audit and inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council's Relationship Manager and District Auditor [or Appointed Auditor – delete as appropriate]. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.

2   We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.

3   The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

4   Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

5   Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

6   Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure1.

Figure 2   Code of Audit Practice
Code of practice responsibilities

Fylde Borough Council

Accounts

- Opinion.

Financial aspects of corporate governance

7 Reviewing how effectively the Council ensures:

- financial standing;

- systems of internal financial control;

- standards of financial conduct and the prevention and detection of fraud and corruption; and

- legality of transactions with significant financial consequences.

Performance management

- Use of resources.

- Performance information.

- Best Value Performance Plan.

Inspection objectives

8 Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered;

- enable the Council to assess how well it is doing;

- enable the Government to assess how well its policies are being implemented; and

- identify failing services where remedial action may be necessary.

Appendix 2 – Audit and Inspection reports issued

Table 2

Report title	Date issued
Audit Plan	March 2005
Customer Access Inspection	June 2005
Performance Management	September 2005
Statement of Auditing Standard (SAS) 610 'Reporting to Those Charged with Governance'	September 2005
Progress Assessment Report	December 2005
Regularity Report	January 2006
Use of Resources Audit Score Feedback	March 2006

Fylde Borough Council

Appendix 3 – Audit and Inspection fee

Table 3   Audit fee update

Audit area	Plan 2004/05	Actual 2004/05
Improvement	12,974	12,974
Assessment	24,021	24,021
Accounts	35,769	35,769
Governance	11,985	11,985
Use of Resources	23,653	23,653
Total Code of Audit Practice fee	108,402	108,402
Additional voluntary work (under section 35)	0	0
Total	**108,402**	**108,402**

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT SUB-COMMITTEE	22/06/06	6

INTERNAL AUDIT ANNUAL REPORT 2005-06

Public/Exempt item

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

Summary

The report summarises the work undertaken by internal audit from April 2005 to March 2006 and performance information for the same period.

The report links principally to the Corporate Objective - "Deliver high quality services".

Recommendation/s

1. It is recommended that the Internal Audit Annual Report is considered and appropriate comments made.

Executive Portfolio

The item falls within the following executive portfolio[s]:

Finance & Efficiency (Councillor Paul Rigby)

Report

1 Introduction

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

1.2 The report also summarises 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.

1.3 In March 2006 Internal Audit transferred from the Overview & Scrutiny Business Unit to Finance, under the direct management control of the Section 151 Officer.

1.4 Internal Audit contributes to meeting the corporate objective of delivering high quality services. In particular internal audit is crucial to this because of its examination of internal control systems in the context of risk management and its culture of continuing improvement.

2 Use of Staff Time

2.1 The total number of days in the original audit plan was 694, not including non-audit work. In the event the outturn figure was 633, a reduction of 61 days. The main cause of this was the absence of one member of the team on maternity leave from mid-October 2005 for 6 months. However, this was partly offset by another auditor working full time for the duration of the maternity leave. The net results are set out in Table One.

Table One: Internal audit planning

Audit Activity	Plan days	% of total	Actual days	% of total
Main Financial systems	160	23.1	162	25.6
Other systems audit	81	11.7	55	8.7
Non-Financial audit	21	3.0	42	6.6
Establishment audit	10	1.4	-	-
Computer audit	11	1.6	10	1.6
Anti-fraud audit	24	3.5	22	3.5
Corporate Governance	24	3.5	23	3.6
Performance Management	34	4.9	27	4.3
Contract audit	3	0.4	3	0.5
VFM/Management review	38	5.5	3	0.5
Other audit	37	5.3	34	5.3
Reactive audit	55	7.9	77	12.1
Consultancy & Advice	16	2.3	27	4.3
Management & admin	180	25.9	148	23.4
Total	694	100%	633	100%

2.2 The anticipated reduced resources were reported to the Performance Improvement Community Forum in October 2005 when changes to the original plan were agreed. All of the obligatory audit work was retained within the revised plan, while several discretionary items were deleted. Some of the proposed work was carried out or partly covered by other audit reviews.

2.3 With this exception the analysis of days shows that rather more time was spent on reactive work and non-financial audit work and somewhat less on some other areas than planned. Overall the various category differences were relatively insignificant.

2.4 The non-audit duties of the team continued to reduce from 89 to 77 days compared with the previous year. This is the ultimate effect of the policy of removing non-audit duties from internal audit. Further reductions will be limited since there will always be a proper level of involvement with corporate and business unit affairs that will remain. Table Two shows the planned and actual outturns.

Table Two: Non-audit work

Non-audit activity	Actual days 2003-04	Actual days 2004-5	Actual days 2005-6
Car parking	2	-	-
Controlled stationery	36	29	31
Corporate groups, initiatives, meetings	42	15	17
Insurance	1	2	2
Risk Management	13	11	6
Overview & Scrutiny Unit	16	21	15
Other non-audit	10	1	-
Reactive non-audit	12	10	6
Total	132	89	77

2.5 The percentage of the 2005-06 audit plan completed was 91%, allowing for authorised amendments to the original plan and approved extensions of time. This exceeds the target for the year of 90%.

3 Reports Issued

3.1 In the financial year 2005-6 twenty-two (22) reports have been completed and action plans agreed. Copies of the reports and action plans were placed in the Members Room on the completion of each review. Table Three shows the actual coverage, together with details of the officer responsible at the time of issue.

Table Three: Internal Audit Reports Issued

Audit	Responsible Officer
Contracts & Tendering	Streetscene Manager
Procurement Code Review	Streetscene Manager
IT – Internet Management	Policy & Change Manager
IT- Website Review	Policy & Change Manager
IT – Remote Access	Policy & Change Manager
Council Tax	Finance Manager
Prevention of Fraud & Corruption	Various
Sundry Debtors	Finance Manager
Housing/Council Tax Benefits	Finance Manager
Creditors	Finance Manager
Ashton Gardens – Special Investigation	Cultural Service Manager
Cash Receipting - Central	Finance Manager
Cash Receipting – One Stop Shop	Policy & Change Manager

FCM - Cash Collection	Various
FCM - Housing/Council Tax Benefits	Finance Manager
Annual Leave & Flexitime	Human Resources Manager
Non-Domestic Rates	Finance Manager
Payroll	Human Resources Manager
FCM - Payroll	Human Resources Manager
Post Opening	Community & Cultural Services Manager
Purchasing Cards	Finance Manager
Investments	Finance Manager

FCM = Fraud & Corruption Module

3.2 In addition to the above we have worked jointly with the Audit Commission to review the accuracy of reported performance indicators and taken the lead in the production of the Statement on Internal Control and Code of Corporate Governance Assurance Statement.

4 Assurance on Internal Control

4.1 Throughout the year we have categorised audit recommendations between high, medium and low priority. High indicates a significant control weakness that could lead to material loss, exposure to fraud or failure to meet regulatory requirements. Medium suggests a less important vulnerability not fundamental to system integrity. Low priorities relate to good practice or enhancements to procedures.

4.2 We also measure the overall adequacy and effectiveness of internal control in a system on a five-point scale where a score of 5 means the system is performing particularly well and 1 that the level of control is unacceptable. A score of 4 reflects a system with satisfactory controls and scores of 3 and 2 reflect increasing degrees of the need to improve control.

4.3 Table Four shows the priority category of recommendations identified for each audit completed, during the year.

Table Four: Control Risks & Assurance

Audit Area	High Priority	Medium Priority	Low Priority	Assurance Rating
Contracts & Tendering	3	12	6	1.8
Procurement Code Review[3]	-	-	7	
IT – Internet Management[2]	-	-	10	
IT- Website Review[2]	-	3	3	
IT – Remote Access[2]	-	5	6	
Council Tax*	-	1	2	4.6
Prevention of Fraud & Corruption	-	2	-	4.0
Sundry Debtors*	-	6	10	2.9
Housing/Council Tax Benefits*	-	-	1	4.9
Creditors*	-	6	5	3.0
Ashton Gardens - Investigation[3]	1	1	4	
Cash Receipting – Central*	-	1	11	3.7
Cash Receipting – One Stop Shop[3]	-	2	2	
FCM - Cash Collection[1]	1	3	2	
FCM – Housing Benefits[1]	-	-	7	

Annual Leave & Flexitime	-	5	-	2.8
Non-Domestic Rates*	-	1	4	4.4
Payroll*	1	10	8	2.5
FCM – Payroll[1]	-	1	-	
Post Opening	-	8	6	2.5
Purchasing Cards	-	4	5	3.0
Investments*	1	4	18	3.3
Total	7	75	117	3.3

* Main Financial System
[1] Fraud & Corruption Module (not full system review)
[2] Review undertaken by LCC IT Audit Service
[3] Non-assurance review

4.4 Table Five shows both the average and main system assurance scores for those systems reviewed by Internal Audit over the last three years:

Table Five: Assurance Ratings

Audit Area	2003/04	2004/05	2005/06
All Reviews Average	2.8	2.9	3.3
Main Financial Systems:	3.0	3.4	3.7
Business Rates	*4.5*	*4.7*	*4.4*
Cash Receipting	*-*	*-*	*3.7*
Council Tax	*4.5*	*4.5*	*4.6*
Creditors	*2.5*	*2.8*	*3.0*
Housing Benefits	*4.0*	*4.8*	*4.9*
Investments	*-*	*-*	*3.3*
Main Accounting	*2.0*	*2.5*	***
Payroll	*1.3*	*2.5*	*2.5*
Sundry Debtors	*2.0*	*2.0*	*2.9*

*Ongoing review

4.5 For those systems reviewed in 2005/2006 the average assurance score was 3.3 on the scale of 1 to 5, a good improvement on the previous year. Main financial systems had an average score of 3.7, somewhat above the general average and reflecting a valuable year-on-year improvement.

4.6 From the work undertaken and the average score of 3.3 assurance can be given that the overall internal control framework is adequate although some controls in the systems reviewed are not operating effectively. For main systems the score of 3.7 indicates a satisfactory framework of controls in place with most operating effectively. The general direction of travel remains positive.

4.9 Two internal control weaknesses were brought to the attention of the Section 151 Officer during the year :

- Failure to successfully complete a cash to bank reconciliation during the financial year
- Omission of 80 former Wyre BC employees transferred to Fylde BC in April 2005 from the payroll supervisory and control regime

Management is addressing both these issues, which should be resolved by the time this report is published.

5 Responses to Audit Reports

5.1 Where controls are found to be absent or not working effectively this results in recommendations being made within an action plan in order to improve the financial control within the system or the area being audited.

5.2 Management is required to respond to all audit reports identifying their intended action. Internal Audit has a reminder procedure in place to ensure that responses are received. Table Six shows the total number of accepted recommendations compared to the total number of recommendations for reports where responses have been received.

Table Six: Recommendations Accepted

Audit Area	Total Recommendations	Recommendations Accepted	% Accepted
Contracts & Tendering	21	21	100%
Procurement Code Review	7	7	100%
IT – Internet Management	10	10	100%
IT- Website Review	6	6	100%
IT – Remote Access	11	11	100%
Council Tax	3	3	100%
Prevention of Fraud & Corruption	2	2	100%
Sundry Debtors	16	16	100%
Housing/Council Tax Benefits	1	1	100%
Creditors	11	11	100%
Ashton Gardens – Investigation	6	6	100%
Cash Receipting – Central	12	12	100%
Cash Receipting – One Stop Shop	4	4	100%
FCM - Cash Collection	6	6	100%
FCM – Housing Benefits	7	6	86%
Annual Leave & Flexitime	5	5	100%
Non-Domestic Rates	5	5	100%
Payroll	19	19	100%
FCM – Payroll	1	1	100%
Post Opening	14	14	100%
Purchasing Cards	9	9	100%
Investments	23	23	100%
Total	199	198	99.5%

6 Follow-up Work

6.1 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Seventeen (17) follow-up reviews have been completed during the year. Table Seven shows the total number and percentage of agreed recommendations that were implemented by managers.

Table Seven: Agreed Recommendations Implemented

Audit Area	Recommendations

40

	Total Agreed	Number Implemented	% Implemented
Council Tax	5	4	80%
Games Sites	25	18	72%
Sundry Debtors	6	4	67%
Housing Right to Buy	2	-	-
Car Allowances & Expenses	19	15	79%
FCM – Credit Income	4	2	50%
Car Parking	11	7	64%
Planning & Building Control Income	13	3	23%
Housing/Council Tax Benefits	4	4	100%
Creditors	15	11	73%
Cash Receipting – Central	11	11	100%
Cash Receipting – One Stop Shop	4	3	75%
Sickness Absence	12	10	83%
Contracts & Tendering	21	11	52%
Non-Domestic Rates	2	1	50%
Prevention of Fraud & Corruption	2	2	100%
Payroll	22	17	77%
Total	158	113	72%

6.2 The overall implementation rate to date has improved significantly from 55% in 2004/05 to 72%. Several initiatives were introduced last year to improve the implementation rate of audit recommendations. These included alerting managers when the final implementation date had passed and again in advance of the follow-up review. Also the non-implementation of high priority recommendations was brought to the attention of Spheres of Influence meetings, headed by the Executive Directors. The impact of these in a full year has proved clearly beneficial.

6.3 In addition to the overall rate, the percentage of high and medium priority recommendations implemented is also measured. Table Eight shows the total number of agreed high and medium recommendations that were implemented by managers.

Table Eight: High & Medium Recommendations Implemented

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
Council Tax	-	-	2	1	67%
Games Sites	1	2	8	2	69%
Sundry Debtors	1	-	2	1	75%
Housing Right to Buy	-	-	-	2	0%
Car Allowances & Expenses	2	1	8	-	91%
FCM – Credit Income	-	-	1	2	33%
Car Parking	-	-	4	2	67%
Planning & Building Control	-	-	1	9	10%
Housing/CTax Benefits 04-05	-	-	3	-	100%
Creditors	-	-	6	3	67%
Cash Receipting – Central	-	-	1	-	100%
Cash Receipting – One Stop Shop	-	-	2	-	100%
Sickness Absence	-	-	6	2	75%

Contracts & Tendering	3	-	4	7	50%
Non-Domestic Rates	-	-	-	1	0%
Prevention of Fraud & Corruption	-	-	2	-	100%
Payroll	-	-	11	3	79%
Total	7	3	61	35	64%

6.4 The percentage of high and medium priority recommendations implemented in 2005/06 was 64%, which is lower than the overall rate. The classification of recommendations as 'high', 'medium' or 'low' priority should indicate where resources might best be applied. However, the above table indicates that managers ultimately are more likely to implement good practice points.

7 Speed of Response

7.1 The maximum target time from the completion of audit testing to the deposit of the agreed action plan in the members' room is 55 days. This period comprises various stages including the issue of the draft report, consideration of the recommendations, the closure meeting with management, the production of the final action plan and the signature by the auditee.

7.2 The average time to complete the process was 21.3 days, compared to last year's 29.4 days - an improvement of over 8 days. On average the time taken by auditors in reporting findings to management was 4.7 days, while the time taken by managers to consider and respond to such findings, and agree related reports was 16.6 days.

7.3 In 2005-6 four reviews exceeded the maximum 55-day target time:

◆ IT – Internet Management (65 days)
◆ IT – Website Access (64 days)
◆ IT – Remote Access (65 days)
◆ FCM Credit Income follow-up (59 days)

8 Stakeholder Feedback

8.1 All audit reports issued include a client feedback questionnaire for the auditee to give their views on the different aspects of the audit. Table Ten sets out the questions and the responses received.

Table Ten: Summary of Client Feedback Questionnaires

Question	Average Score	Excellnt %	Good %	Satis %	Fair %	Poor %
Audit review covered key control risks	86	56	44	-	-	-
Review was carried out in a timely and efficient manner	82	44	56	-	-	-
Auditors were polite, positive and professional	88	78	22	-	-	-
Involvement of auditee in the process was appropriate	86	67	33	-	-	-
Well structured and clear audit reporting	88	78	22	-	-	-
Findings and recommendations were accurate and useful	84	56	44	-	-	-
Review provided assurance or resulted in beneficial change	87	56	44	-	-	-
Average	86	62	38	-	-	-

8.2 It is pleasing to note that respondents considered 100% of the different aspects of the audit work undertaken to be either good or excellent, and that the overall satisfaction rate was 86%.

8.3 The Audit Commission relies on the work of internal audit to review the system of internal control. Their latest review of March 2006 commented:

"During the year we undertook a review of Internal Audit. We concluded that we can continue to be able to rely on the work undertaken by the section, and that it provides an effective component of the Council's control environment".

9 Fraud Investigations

9.1 During the year the audit team undertook five investigations into allegations of fraud and corruption. In one case the investigation resulted in disciplinary action and dismissal for the employee concerned. Two other allegations were either disproved or not based on evidence, while a further case was abandoned when the suspect was alerted to the covert investigation. The final case remains ongoing.

9.2 Altogether some 18 days were taken up dealing with reactive fraud work during 2005/6. This compares with a total of 17 days spent on fraud in 2004-05 and 15 days in 2003-04. Clearly the amount of fraud work required is not predictable and its impact on the achievement of the audit plan can be considerable.

10 Consultancy & Advice

10.1 Consultancy comprises the range of services, beyond internal audit's assurance role. Such reviews are normally requested by clients, rather than forming part of the risk-based audit function. Commonly, they will involve problem-solving issues as an aid to management for the enhancement of their service. The nature and scope of the work may include facilitation, process design, training, and advisory services, but this list is not exhaustive

10.2 In 2005/06 internal audit has provided advice or acted in a consultancy capacity in the following areas, which is not an exhaustive list:

- Statement on Internal Control – following consultation with the Audit Commission, internal control assurance statements were revised, issued, collected and checked by internal audit. A draft statement was prepared for approval and agreed with the Section 151 Officer and Management Team. The Statement was adopted by full Council on 28 July 2005.
- Code of Corporate Governance – issued revised corporate governance assurance statements to managers; assisted in completion and reality checked the returned documents. A draft statement was prepared for approval by Management Team, which was finally adopted by full Council.
- Performance Management - performed a detailed verification of the information, data and calculations supporting the published BVPI figures on behalf of the Audit Commission. The input from Internal Audit resulted in the most accurate publication of performance indicators to date.
- Strategic Risk Management – jointly-led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management day in conjunction with the Risk Management Officer.
- Procurement Code - consulted and provided detailed feedback on the proposed procurement code to establish a robust framework for the Council's procurement arrangements.
- Payroll Service Level Agreement – at the request of the Human Resources Manager internal audit undertook a review of the draft SLA with Blackpool BC for the supply of payroll services to ensure it conformed with good practice standards.

- Standard Mileages – determined guideline 'standard' mileages for the most common repeat journeys undertaken by employees claiming reimbursement for use by HR Team and management
- Finance Operations Manual – updated and re-launched the FOM for use within business units to help employees understand and comply with the financial procedures used within the Council.
- Use of Resources Key Lines of Enquiry – performed research and gathered evidence in support of the Audit Commission's best practice assessment of the Council's performance in relation to internal control and risk management.
- Time/Attendance – prepared and presented a report to Management Team on possible software solutions to flexitime and holiday recording. Made initial contacts with providers and organised a demonstration of the selected application.
- Audit Committee - set in motion the move to establish an Audit Committee following involvement in the Use of Resources work (see above). Attended working groups to progress the proposal and assisted in developing best practice terms of reference.
- Planning Applications Outsourcing – asked to attend a meeting where outsourcing of certain planning work was under consideration. Advised on probity concerns and liased with statutory officers and external audit.
- Corporate induction – internal audit participated in corporate induction days presenting the session on 'whistleblowing' and 'anti-fraud policy'.

11 Service Improvements

11.1 Internal audit strives to achieve improvements in internal procedures year on year. A number of improvements have been taken forward this year in consultation with managers and audit clients, where appropriate.

11.2 The style and format of audit reports has been further refined to concentrate on the key controls, significant risks and assurance provided by the review. As far as possible findings in these areas are presented pictorially, for example by using a system of traffic lights to highlight areas of good practice as well as points of concern.

11.3 Action Plans now include the officer responsible for implementing agreed recommendations to ensure clarity and accountability. In addition, the implications of not addressing any particular weakness identified are also identified to management.

11.4 All agreed recommendations have been incorporated into our access Database of Audit Recommendations (DARE). This is used on a monthly basis to follow up recommendations as they become due – keeping follow-ups current. Alternatively clients can advise internal audit of recommendations implemented in advance of agreed date.

11.5 The opportunity to highlight good practice and to provide guidance on key issues has continued through the Council's weekly newsletter to all staff "Grapevine".

11.6 A revised Internal Audit Charter was adopted during the year setting out the role, responsibility, status and authority of internal audit within Fylde BC, and outlining the scope of internal audit work. At the same time a new Code of Ethics for internal auditors was adopted establishing a framework of the highest standards of professional conduct and personal honesty.

11.7 For the first time a formal Protocol between Internal and External Audit was agreed. It sets out what has been happening for the past several years, but in line with good practice the arrangements are now outlined in writing.

11.8 While maintaining basic assurance work as the core function, internal audit has increasingly made the most of the skills and knowledge accumulated by the team to add value generally to the organisation by acting in a broader advice role. This includes sharing knowledge and best practices, control analysis and design, and guidance on new systems and processes.

11.9 Two local performance indicators for internal audit have been adopted and formed part of the former Overview & Scrutiny Unit service plan. Table Twelve sets out the LPIs adopted as part of the service plan that were monitored and progress reported during the year:

Table Twelve: Internal audit local performance indicators

Performance Indicator	Actual 2004/05	Target 2005/6	Actual 2005/6
Percentage completion of the Audit Plan	94%	90%	91%
Percentage of agreed recommendations implemented	55%	70%	72%

12 Internal Audit Assurance Statement

12.1 The Internal Audit work plan for 2005/06 was prepared without any limitations on scope and was substantially completed during the year, subject to agreed revisions. During the year the attention of management was drawn to a number of control weaknesses in various systems and appropriate recommendations for improvement were made. Generally responses from auditees have been satisfactory and most recommendations have implemented within agreed timescales.

12.2 On the whole the internal control framework was operating satisfactorily with only two particular weaknesses as outlined in paragraph 4.9 above.:

12.3 The audit work carried out during the year and other information collected did not disclose any other significant weaknesses in the Council's control environment that could have a seriously adverse effect.

Implications	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes

	arrangements for the management of risk.
Legal	
Community Safety	
Human Rights and Equalities	
Sustainability	
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	May 9, 2006

List of Background Papers		
Name of document	Date	Where available for inspection
Audit reports & documents	May 9, 2006	Internal Audit Office by arrangement

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
RISK MANAGEMENT OFFICER	**AUDIT SUB-COMMITTEE**	**22/06/06**	**7**

STRATEGIC RISK REGISTER

Public/Exempt item

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

Summary

Strategic risk management is an integral requirement of Comprehensive Performance Assessment and also played a key part in the recent Audit Commission assessment of the Council on 'Use of Resources'.

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

The report before members today summarises 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.

The report links principally to the Corporate Objective - "Deliver value for money, high quality local services".

Recommendation/s

1. It is recommended that the Strategic Risk Register for 2006-2007 is considered and appropriate comments made.

2. It is recommended that the Risk Management Strategy (reviewed June 2006) is approved.

Cabinet Portfolio

The item falls within the following cabinet portfolio[s]: Corporate Performance & Development (Councillor Sue Fazackerley)

Report

1 Introduction

1.1 In May 2003, a strategic risk management exercise was conducted for the Council by Zurich Municipal Management Services (ZMMS). The exercise was an opportunity to identify, analyse and prioritise those risks that may affect the ability of the Council to achieve its corporate objectives. It also formed part of the Council's corporate governance requirement to manage its risks. This work was not designed to be a one off initiative but rather something that the Council could take forward in the long term as part of its risk management strategy, by embedding the process within the existing planning processes.

1.2 Appendix 1 provides an overview of what risk management is and why is considered to be an essential tool of good management practice. At 2 below, the annual process for conducting risk management is explained stage by stage.

1.3 This risk management process has since 2003 been conducted annually by the Council's Insurance & Risk Management Officer and Head of Internal Audit working as a team to carry out the necessary identification and prioritisation stages of the process. In each given year this leads to a Strategic Risk Register being produced which identifies the key strategic risks facing the council over the forthcoming year together with an action plan for each year detailing how the risk can be reduced through a series of planned actions.

1.4 The recent Audit Commission inspection on Use of Resources required the risk identification work to be undertaken with the involvement of members of the Council as well as officers. Member involvement in the past has centred on the identification stage of the process and also more recently in the monitoring role. For the last 18 months, Kiran Mulholland, in his capacity as Risk Champion has been involved in the monitoring of the Risk Management actions through regular attendance at the Strategic Risk Management Group which is comprised of Executive Managers, Audit Manager together with the Health and Safety and Risk Management advisors. Councillor Sue Fazackerly as the Cabinet member with responsibility for this area now also attends the Strategic Risk Management Group.

1.5 In addition, over the past 3 years different combinations of members have been included in the annual consultation process for the compilation of the risk register.   In 2006, this included the Leader, Deputy Leader, and Chairman of the Performance Improvement Scrutiny Committee and the Member Champion for Risk Management was interviewed as part of the process.   The latest update from the Audit Commission on Use of Resources requires members of the Council to receive reports on corporate business risks to satisfy themselves that strategic corporate risks are being actively managed.

1.6 It is also a requirement that the Council to review the Risk Management Strategy annually to update it where necessary. An updated version of the Strategic Risk Management Strategy is attached to this report for member approval. (Appendix 1)

2 The Risk Management Process

2.1 As part of the work undertaken by ZMMS they trained officers to be able to facilitate "in-house" the ZMMS risk management process. The process has 5 elements - risk Identification, risk analysis, risk prioritisation, risk management and risk monitoring. Each of these five elements is examined below.

2.2 Risk Identification. This is achieved by interviewing key members and officers to identify strategic risks that may effect the Council's performance in achieving its objectives. The process looks at risks in 13 areas. These are Political, Economic, Social, Technological,

Legislative/Regulatory, Environmental, Competitive, Customer/Citizen, Managerial/Professional, Financial, Legal, Partnership/Contractual and Physical. Risks must be triangulated to be carried forward in the process. Triangulation means that at least 2 officers or members must identify a risk.

2.3 Risk Analysis. All the triangulated risk from the identification process are grouped together into cluster areas, underlying risks are identified and risk scenarios are developed by the facilitators. The scenarios detail the vulnerability the Council might have, the trigger that could activate this vulnerability and the consequences should this happen.

2.4 Risk Prioritisation. The scenarios formed by the facilitators are presented to the Corporate Management Team (CMT) at a workshop session. The CMT members are asked to accept or reject the scenarios as risks to the Council. Each scenario accepted is plotted on a matrix that measurers the likelihood of the risk occurring against the impact on the Council if it does. This process prioritises the risks in importance. When all the risks are plotted on the matrix the risk appetite is set. The risk appetite is the level of risk that officers believe the Council can take without the need to introduce measurers above the normal level to control the risk.

2.5 Risk Management. For each of the risks plotted above the risk appetite line a Management Action Plan (MAP) is developed to identify what management actions need to be introduced to either reduce the likelihood of the risk or the impact of the risk. The MAP's are linked to the Corporate Objectives of the Council and a Risk Champion is identified to manage each individual action plan.

2.6 Risk Monitoring. All the MAP actions are input into a database to enable monitoring of progress throughout the year. An update report on the status of each action is reported to the Strategic Risk Management Group (SRMG) which meets on a 6 weekly cycle. Monitoring the Risk Management process is one of the standing agenda items for the SRGG.

3 Risk Register – 2006/2007

3.1 The risk register for 2006/2007 is outlined in the table below:

Strategic Corporate Risk	Risk Level *	Risk Champion
Hard to Reach Groups	Significant / Critical	Dave Joy
Business Continuity	High / Critical	Tracy Scholes
Member Support	Significant / Critical	Tracy Scholes
Business Process Re-Engineering	High / Critical	Allan Oldfield
External Inspection	Significant / Critical	Phil Woodward
Information	High / Marginal	Paul Norris
Public Relations	High / Critical	Paul Norris
Staffing Issues	High / Critical	Allan Oldfield
Organisational Development	Significant / Critical	Dave Joy
Financial Information	High / Critical	Brian White
Accommodation	High / Critical	Paul Walker
Leisure Service Trust Options	Significant / Critical	Paul Norris

* Risk Level: 1st indicator is Likelihood 2nd indicator is Impact

3.2 For each of these risks a number of management action plans have been developed, a sample Management action plan is attached (Appendix 2).

3.3 Each individual risk has a database record set up to monitor its progress to completion. This database is used to populate the reports on progress presented to the SRMG, a sample of the data records is attached (Appendix 3)

Implications	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and which includes arrangements for the management of risk.
Legal	Business continuity is now a specific obligation of the council under the Civil Contingencies Act
Community Safety	
Human Rights and Equalities	
Sustainability	
Health & Safety and Risk Management	The work of the Risk Management Officer in producing the Strategic Risk Register helps to fulfil the requirement of the Accounts Regulations

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit sub cttee June 2006

List of Background Papers		
Name of document	Date	Where available for inspection
Risk Identification documentation	March 2006	Risk Management Officers Office by arrangement

FYLDE BOROUGH COUNCIL

working together for excellence

1. Introduction

This document forms Fylde Borough Council's Risk Management Strategy. It sets out:

➢ What is meant by risk management
➢ Why we need a risk management strategy
➢ The philosophy of our risk management
➢ An overview of the methodology to be adopted and its links with existing processes
➢ A summary of the implementation timetable
➢ An outline of the associated roles and responsibilities of members, chief officers and other employees.
➢ A summary of future monitoring and reporting lines for risk management

The objectives of the strategy are to:

➢ Reduce the total cost of risk and enhance control of services provided
➢ Further develop risk management and raise its profile across the Council
➢ Integrate risk management into the culture of the organisation
➢ Embed risk management through the ownership and management of risk as part of all decision making processes
➢ Manage risk in accordance with best practice
➢ Create effective processes that will allow the council to make risk management assurance statements annually

This strategy outlines how Fylde Borough Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.

A policy statement is attached at Appendix A.

2. What is risk management?

Risk Management can be defined as:

> "The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks" *ZMMS/SOLACE, Chance or choice?, July 2000.*

Risk management is a strategic tool and is an essential part of effective and efficient management and planning.

Fylde BC delivers a diversity of services that provides a vast potential for personal injury and loss or damage. Risk management will allow us to reduce that potential and in respect of strategic risk it will allow us to effectively manage the barriers to achievement of the Council's objectives.

3. Why do we need a Risk Management Strategy?

Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.
Strategic risk management is also an integral requirement of the Comprehensive Performance Assessment and as such is an important element in demonstrating continuous improvement.

Finally risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance that was to be adopted by all Authorities in 2002/03. The CIPFA/SOLACE framework requires Fylde Borough Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The Framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk.
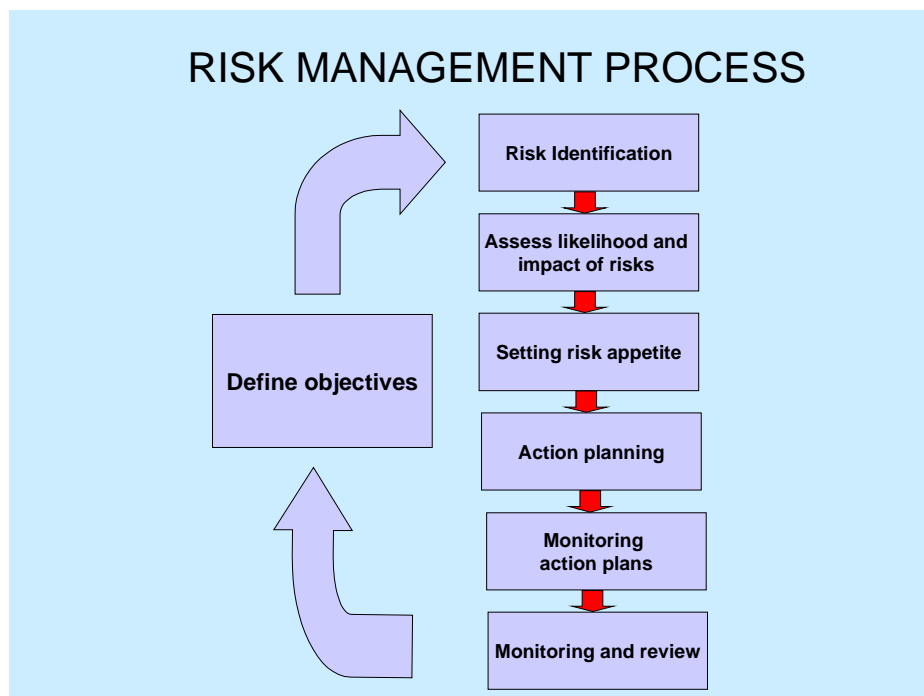
The assurance statement is disclosed in both the Annual Statement of Accounts and referred to in the Best Value Performance Plan and is signed by the Leader of the Council and the Chief Executive.

4. What is our philosophy?

The Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. The council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour.

5. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

RISK MANAGEMENT PROCESS

- Risk Identification
- Assess likelihood and impact of risks
- Setting risk appetite
- Action planning
- Monitoring action plans
- Monitoring and review
- Define objectives

The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall service plans and the Corporate Plan. Relevant PI's are identified and then monitored through the developing performance management framework ensuring that the focus remains on achieving Fylde Borough Council's objectives

6. How will it feed into our existing processes?

The information resulting from the process acts as one of eight key pieces of information that will be incorporated into the development of the service and Best Value Performance Plans. Risk management will become an essential element to establishing policy, developing plans and enhancing operational management.

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                    ┌──────────────────────┐
                    │   Fylde Borough      │
                    │  Council's Vision    │
                    └──────────────────────┘

   ┌──────────────────┐                    ┌──────────────────┐
   │   Opportunity    │                    │   Government     │
   │    analysis      │                    │   Priorities     │
   └──────────────────┘                    └──────────────────┘

   ┌──────────────────┐                    ┌──────────────────┐
   │      Risk        │                    │     Local        │
   │   assessment     │                    │   Priorities     │
   └──────────────────┘                    └──────────────────┘

   ┌──────────────────┐                    ┌──────────────────┐
   │    Resources     │                    │   Consultation   │
   │    available     │                    │                  │
   └──────────────────┘                    └──────────────────┘

   ┌──────────────────┐                    ┌──────────────────┐
   │    External      │                    │   Performance    │
   │     events       │                    │   Management     │
   └──────────────────┘                    └──────────────────┘

           ┌──────────────────────────────────────────┐
           │  Priorities for improvement stated in    │
           │  service plans and the Best Value        │
           │  Performance Plan                        │
           └──────────────────────────────────────────┘

           ┌──────────────────────────────────────────┐
           │            IMPROVED                      │
           │          PERFORMANCE                     │
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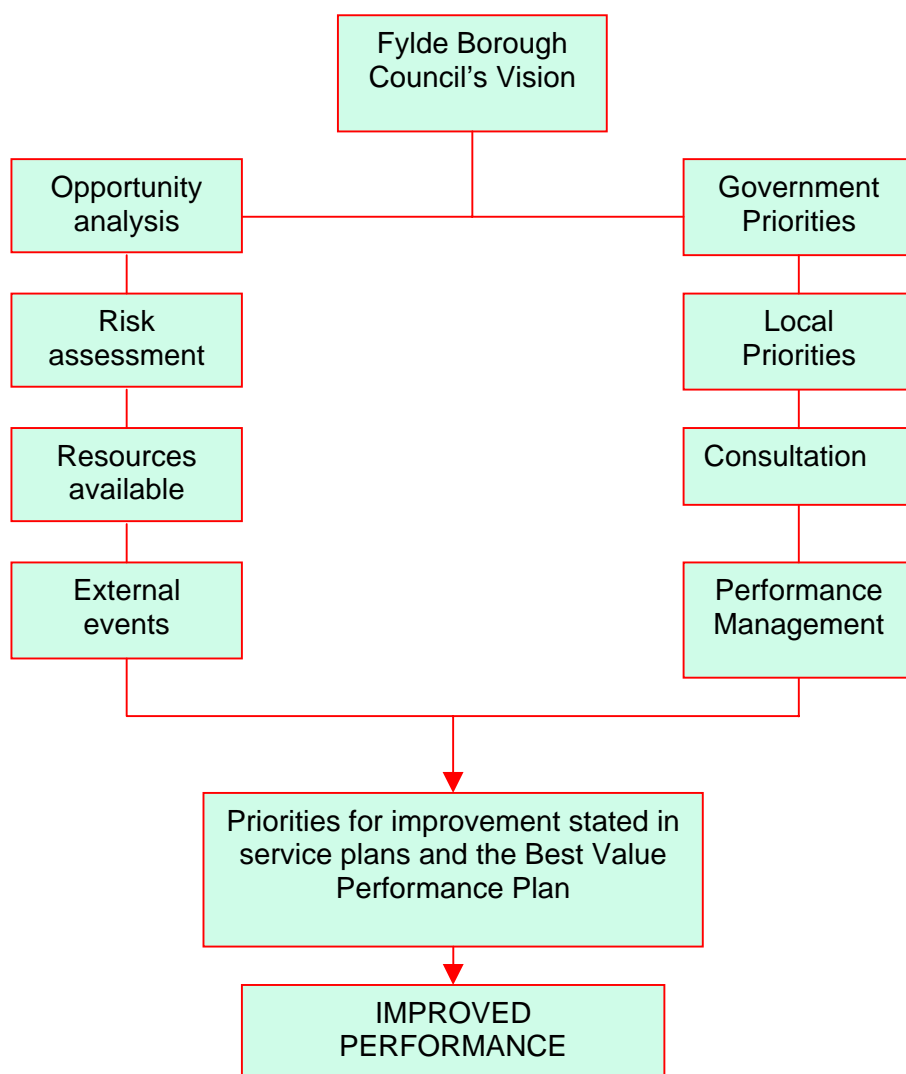
Effective risk management may also be integrated into the existing Best Value guidance. It can help to narrow down the options for future service delivery. It can also be used as mechanism of identifying areas of service improvement.

The risk management methodology can also be adopted for individual projects and can be used to strengthen all decision-making processes.

7. How will this be implemented?

A detailed implementation plan has been developed to support the strategy. The following is a summary of the overall timetable:

Action	Timescale	Responsibility of
Corporate assessment and prioritisation of risks	Feb/Mar each year	Corporate Management Team
Develop strategy, report to CMT and recommend for approval by members	End of June each year	Insurance & Risk Management Officer
Raise awareness of risk management as en effective management tool	ongoing	Insurance & Risk Management Officer
Include risk management methodology in existing service and corporate planning guidance and best value guidance.	End Mar 2007	Insurance & Risk Management Officer
Business Unit service plans - assessment and prioritisation of risks	Feb/Mar each year	Unit Risk Teams

8. What are the different roles and responsibilities?

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process: -

Members

Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process. They will also be kept informed on the management of those risks through regular reports to committee. They should not seek to avoid, or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Members' key tasks are: -

➢ Approving the risk management strategy and implementation plan.
➢ Monitoring the Council's risk management and internal control arrangements via a reporting process
➢ Commissioning and reviewing an annual assessment of the effectiveness of the risk management and internal control framework
➢ Approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publish it in the annual Statement of Accounts and the Best Value Performance Plan.

Chief Executive and Corporate Management Team

The Chief Executive and the Corporate Management Team are pivotal in the promotion and embedding of risk management by managing a culture change within the council. The successful outcome of this culture change would be risk management practised throughout the organisation as part of usual activities and the sharing of best practice and experience between departments.

The Chief Executive and CMT's key tasks are: -

➢ Recommending to Members the risk management strategy and subsequent revisions thereof.
➢ Support and promoting risk management throughout the Council
➢ To motivate managers and others to manage risk effectively involving a multi-business approach across all levels of Council activity where appropriate
➢ Actively identifying and assessing strategic risks on a regular basis

Executive Managers

Executive Managers will demonstrate their commitment to risk management through: -

➢ Being actively involved in the identification and assessment of strategic risks.
➢ Individual unit executive managers will be responsible and accountable for managing the risks to which their area is exposed
➢ Incorporating the risk management process into service planning processes.
➢ Encouraging staff to be more innovative and recognising their achievements. Encouraging staff to be open and honest in identifying risks or missed opportunities.
➢ Ensuring that the risk management process is part of all major projects and change management initiatives.
➢ Monitoring and reviewing regularly relevant action plans to reduce or control the significant risks.

Strategic & Operational Risk Management Groups

The purpose of the risk management groups is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues. The Groups will also

➢ Promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures.
➢ Ensure that risk management is seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing".
➢ Investigate issues referred to it by the Corporate Management Team and report back in a timely manner.
➢ Standardise procedures and practices to reduce property and liability losses and claims
➢ Advise Corporate Management Team on risk management issues referred to it by business units.
➢ Adopt SMART reporting techniques for all issues sent to the group from whatever source.
➢ Introduce more sophisticated systems to analyse and forecast losses.
➢ Investigate the feasibility of allocating risk costs in line with the risk features of each budget holder
➢ Use deductibles or self-insurance where financially beneficial to provide a vested interest in loss control. Dependence on insurance will be reduced and cover sought on a 'value for money' basis, seeking cover where financially prudent.
➢ Wherever possible, improve risk management information and investigative procedures within the authority.

A terms of reference for the risk management group is attached at appendix B.

Role of Audit

Internal audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and members on the effectiveness of controls. They will be responsible for undertaking an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

9. How will the monitoring and reporting of risk management happen?

A framework of monitoring and reporting will be established that will allow: -

- ➢ An annual review of the risk management strategy by CMT approved by the Audit Sub Committee
- ➢ Monitoring of the effective management of risks through developing performance management mechanisms including regular reporting on service and corporate performance indicators to CMT and members.
- ➢ An annual review of the overall process and a report to CMT and members on the effectiveness of risk management and internal control by Internal Audit.
- ➢ An annual report from the risk management group informing Audit Sub Committee of its activities and highlighting strategic and operational risk management issues that will affect the Council.

10. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.

The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This should be achieved in part by making risk management part of existing processes and reviews rather than treating it as a separate function.

Risk Management Policy Statement

The diversity of services offered by the Council presents a vast potential for personal injury, loss and damage. It is essential for the Council to develop Risk Management programmes which ensure that, in discharging its responsibilities to the citizens, the likelihood of personal injury and loss or damage to physical assets is minimised by means of anticipating and controlling our exposure to risk.

Accordingly it is the responsibility of every member of staff to identify, analyse, eliminate and control exposure to risk and to minimise such losses as they may occur. The purpose of the risk management policy is to achieve the following:

1. To support operating units in their efforts to appraise the risks to which they are exposed.
2. To provide advice through networks of specialists.
3. To provide guidance on best practice in loss control.
4. To motivate managers and others to manage risk effectively.
5. To provide incentives in order to increase the level of risk management.
6. To ensure that adequate risk financing is available.

The Council's Strategic and Operational Risk Management Groups are fundamental to this process. Elected Members, the Chief Executive, Executive Managers and staff of all business units must be fully supportive of the initiative.

It is the responsibility of every business unit to implement a sound Risk Management strategy. Management at business unit and cost centre level has the responsibility and accountability for managing the risks to which their area is exposed.

This philosophy has the support of the Council which recognises that any reduction in injury, illness or damage benefits the whole community.

Strategic & Operational Risk Management Groups - Terms of Reference

Meetings

The risk management groups will meet on a regular basis, however the Chairman of either group may call extra meetings or cancel as necessary.

Chairmanship

The Chairmen of the Groups will normally appointed by the CMT.

Secretary

The Secretary of the Groups will normally be the Insurance and Risk Management Officer.

Membership of the Groups

Every business unit will be represented on the each Group. Each business unit will nominate a senior member of the unit to represent the unit on the group.

Unit membership should, where possible, be rotated over a cycle of a number of meetings so that risk management is promoted to as many senior officers as possible. Additional staff members may attend the meeting where it is considered beneficial to have their input on matters being discussed.

Purpose, Focus and Scope of the Risk Management Group

➢ The purpose of the risk management group is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues.
➢ The group should promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures.
➢ Risk management should be seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing".
➢ The risk management group should investigate issues referred to it by the Corporate Management Team and report back in a timely manner.
➢ The group should also advise Corporate Management Team on risk management issues referred to it by business units.
➢ The group should adopt SMART reporting techniques for all issues sent to the group from whatever source.

Minutes and Reports

Minutes of meetings should be kept and the Chairman of each Group should present these to the Corporate Management Team at the next available meeting. All reports issued by the groups should also be reported to CMT. Once minutes and reports are approved by the CMT they should be posted onto the risk management page of the Intranet.

Hard to Reach Groups

Corporate Objective — A Safer Community & Quality of Life

The Council does not have the classic Hard to reach Groups and finds it difficult to identify and include local minorities in its consultation processes

Management Action Plan 2   Champion – Dave Joy

Likelihood		Impact			
A					
B					
C			2		
D					
E					
F					
	IV	III	II	I	

Risk Number	Current Risk Score	Target Risk Score	Description
2	C2	C3	Hard to Reach Groups

Action/controls already in place	Adequacy of action /control to address risk	Action No.	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
➤ Citizen's Panel ➤ Engaged "Dialog" ➤ Statement of Community Involvement ➤ Diversity Sub-Group – LSP (Impact Assessment Toolkit) ➤ Language Line ➤ Browse Aloud ➤ Support groups giving advice to vulnerable groups ➤ Parish Liaison Meetings		**101**	Define "our" hard to reach groups	Equalities Steering Group	Achieve Level 2 of LG Standard	Annually	Mar 07
		102	Have policies approved	A Oldfield	Committee approval	One - off	June 06
		103	Implement the Dialog action plan	Equalities Steering Group	Achieve Level 1 of LG Standard	Annually	Mar 07
		104	Complete the Equalities Strategy	L Charlesworth	Achieve Level 1 of LG Standard	One - off	June 06
		105	Investigate PI's	A Oldfield	PIs included in Service Plan	Annually	Mar 07

		106	Raise issue through LSP Themes Group	P Rose	Impact Assessment of LSP work completed	Annually	Mar 07

Risk Register 2006-2007

Action number	**104**

Action Plan Number	2	*Action Plan Name*	Hard to Reach Groups
Risk Champion	Dave Joy	*Status*	Green

Action Complete the Equalities Strategy

Designated Officer Lorraine Charlesworth

Critical Success Factors Achieve level 1 of LG Standard

Key Dates 30-Jun-06

Completed/Actioned

Notes

Action number	**102**

Action Plan Number	2	*Action Plan Name*	Hard to Reach Groups
Risk Champion	Dave Joy	*Status*	Green

Action Diversity & Equalities policies approved

Designated Officer Alan Oldfield

Critical Success Factors Committee Approval

Key Dates 30-Jun-06

Completed/Actioned

Notes

12 June 2006   *Page 1 of 3*

Risk Register 2006-2007

Action number	**106**		

Action Plan Number	2	*Action Plan Name*	Hard to Reach Groups
Risk Champion	Dave Joy	*Status*	Green
Action	Raise issue through LSP Themes Group		

Designated Officer   Penny Rose

Critical Success Factors   Impact Assessment of LSP work completed

Key Dates   31-Mar-07

Completed/Actioned

Notes

Action number	**105**		

Action Plan Number	2	*Action Plan Name*	Hard to Reach Groups
Risk Champion	Dave Joy	*Status*	Green
Action	Investigate use of PI's		

Designated Officer   Allan Oldfield

Critical Success Factors   PI's included in Service Plan

Key Dates   31-Mar-07

Completed/Actioned

Notes

Risk Register 2006-2007

Action number	**103**	

Action Plan Number	2	*Action Plan Name*	Hard to Reach Groups	
Risk Champion	Dave Joy		*Status*	Green
Action	Implement "Dialog" action plan			

Designated Officer   Equalities Steering Group

Critical Success Factors   Achieve level 1 of LG Standard

Key Dates   31-Mar-07

Completed/Actioned

Notes

Action number	**101**	

Action Plan Number	2	*Action Plan Name*	Hard to Reach Groups	
Risk Champion	Dave Joy		*Status*	Green
Action	Define "our" hard to reach groups			

Designated Officer   Equalities Steering Group

Critical Success Factors   Achieve level 2 of LG Standard

Key Dates   31-Mar-07

Completed/Actioned

Notes

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	**AUDIT SUB-COMMITTEE**	**22/06/06**	**8**

STATEMENT ON INTERNAL CONTROL 2005/06 – ACTION PLAN

Public/Exempt item

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

Summary

The Council is 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 is also agreed. The audit sub-committee is charged with reviewing the SIC and the progress in fulfilling the action plan

The report links principally to the Corporate Objective - "Deliver high quality services".

Recommendation/s

1. It is recommended that the internal audit report on the SIC Action Plan 2005/06 is considered and appropriate comments made.

Executive Portfolio

The item falls within the following executive portfolio[s]:
Democracy & Governance (Councillor Sue Fazackerley)

Report

Background

1. Fylde Borough Council is responsible for ensuring that its business is conducted in accordance with law and proper standards. The Council also has an obligation to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging these overall responsibilities the Council is required to maintain a sound system of internal control, which facilitates 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.

3. 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.

4. There is 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.

5. The terms of reference of the Audit Sub-Committee now encompass this reviewing function.

Action Plan 2005/06

6. This follow up report describes the progress made in implementing the various actions to achieve improved internal control during 2005/06 and outlines areas where agreed actions have yet to be completed.

7. The 2005/06 Action Plan included 16 actions to secure improved internal control. Currently 9 actions have been fully completed. A further 5 actions are currently ongoing with significant progress having been made towards the agreed action. The remaining 2 actions have yet to be commenced.

8. The two actions that remain outstanding have been incorporated into the Action Plan that will be submitted for approval to the Special Council meeting on 28 June. They are as follows:

    ◆ Maintain a central record of complaints against the authority, as defined in the Customer Care Policy, together with evidence of corrective action taken in response to such complaints.

    ◆ Report to an appropriate member forum on a regular basis with a summary of complaints received and addressed, including an analysis of the outcomes.

9. A second follow up of the 5 actions currently ongoing will be undertaken and, if necessary, a further report will be prepared highlighting non-completion.

10. The Action Plan for 2005/06 is attached as an Appendix showing the responsible officers, target dates for completion and the current status.

Implications	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
Legal	
Community Safety	
Human Rights & Equalities	
Sustainability	
Health & Safety and Risk Management	

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	June 8, 2006

List of Background Papers		
Name of document	Date	Where available for inspection
Audit follow up documents	June 8, 2006	Internal Audit Office by arrangement

STATEMENT ON INTERNAL CONTROL - ACTION PLAN 2005-06
(incorporating issues arising from the Code of Corporate Governance)

Ref	Action	Source of Assurance	Respons-ible Officer/s	Date	Achiev ed	Comment
1	Introduce a system to monitor the implementation of recommendations agreed with external inspectors and the Audit Commission	▪ Reports to Corporate Management Team ▪ Reports to Scrutiny	D Joy	Dec 05	Mar 06	COMPLETED Protocol agreed by MT 020306
2	Further enhance arrangements for member development by introducing training for committee chairs and a structured induction scheme for new members	▪ Training plans for committee chairs ▪ New member induction scheme	I Curtis	May 07		ONGOING Arrangements to be in place for induction training by May 07
3	Assign responsibility for corporate governance and internal control issues within the terms of reference of a relevant member committee	▪ Committee terms of reference ▪ Reports on governance and control to responsible committee ▪ Committee minutes show responsibility adequately discharged	I Curtis	Dec 05	Jan 06	COMPLETED Responsibility assigned to Audit Sub-Committee
4	Communicate corporate governance and internal control issues to employees, members, the public and other stakeholders	▪ Evidence of dissemination (e.g. briefings, accessible on intranet site)	S Sykes	Nov 05	Jan 06	COMPLETED Information posted on website and intranet and publicised through Grapevine
5	Implement the Employees Code of Conduct and establish the registers of interests required by the code	▪ Code of Conduct agreed with Trade Unions ▪ Employees signed acceptances ▪ Registers of Interest established	L Ch I Curtis	Nov 05 Mar 06		ONGOING Code of Conduct agreed by LJCC 221105. Template for register circulated

Proposal	Review

STATEMENT ON INTERNAL CONTROL - ACTION PLAN 2005-06
(incorporating issues arising from the Code of Corporate Governance)

Ref	Action	Source of Assurance	Respons-ible Officer/s	Date	Achieved	Comment
6	Assign responsibility to the Monitoring Officer for providing assurance that all relevant legislative change has been identified, communicated, implemented, and followed	▪ Monitoring Officer's job description ▪ Evidence of assurance given to Chief Executive that all relevant legislative changes have been reported and addressed	LCh/ IC	Dec 05 Mar 06		COMPLETED Revised job description produced
7	Maintain a central record of complaints against the authority, together with evidence of corrective action taken in response to such complaints	▪ Central register of complaints exists ▪ Supporting documentation available ▪ Evidence of corrective action taken	P Norris	Apr 06		NOT COMMENCED A central register has not been developed as envisaged by the action
8	Report to committee on a regular basis with a summary complaints received and addressed, including an analysis of the outcomes	▪ Evidence of regular reporting of complaints to members and associated actions	P Norris	Apr 06		NOT COMMENCED Reporting to members forum has not commenced
9	Revise the service planning template to require the matching of service objectives with associated budgets	▪ Revised service planning template exists ▪ Budget and service objectives aligned	P Woodw	Dec 05	Apr 06	COMPLETED Service Planning template revised
10	Provide regular budget monitoring reports to senior management - capital and revenue, current year and medium term	▪ Regular budget monitoring reports to corporate management team – capital and revenue, current year and medium term	B White	Sep 05		ONGOING Quarterly monitoring of revenue expenditure to MT in place – capital monitoring to follow
11	Report risk issues to members on a regular and frequent basis	▪ Evidence of regular and frequent reporting of risk issues to members and corporate management team	T Scholes A Wilsdon	Dec 05	Dec 05	COMPLETED Risk issues reported to Audit Sub Committee at least twice annually

STATEMENT ON INTERNAL CONTROL - ACTION PLAN 2005-06
(incorporating issues arising from the Code of Corporate Governance)

	Proposal				Review	
Ref	Action	Source of Assurance	Respons-ible Officer/s	Date	Achieved	Comment
12	Assign responsibilities for obligations in relation to risk management and internal control in the generic job descriptions of Unit Business Managers	▪ Job descriptions of Unit Business Managers outline risk management and internal control responsibilities	LCh	Dec 05 Mar 06		COMPLETED Revised job descriptions produced
13	Undertake an annual review of risk at service/operational level within all business units	▪ Evidence of annual review of risk at service/operational level	P Norris All UBMs	Dec 05 Mar 06		ONGOING Initial review of risk at service/operational level undertaken but risk registers not universally adopted
14	Develop business/service continuity plans covering all critical service areas	▪ Business/service continuity plans exist covering all critical service areas	C Platt All UBMs	Nov 05		ONGOING Action Plan developed but business/service continuity plans not fully developed
15	Establish a robust mechanism to ensure that an Action Plan is agreed to address weaknesses and ensure continuous improvement in corporate governance and internal control	▪ Action Plan is drawn up and approved ▪ Actions are communicated and responsibilities assigned ▪ Target dates included in action plan ▪ Ongoing review of progress	D Joy	Sep 05	Sep 05	COMPLETED Action Plan drawn up and approved; standard item on MT agenda
16	Assign responsibility for compiling and reporting the Statement on Internal Control	▪ Documented key responsibilities	P Woodw LCh	Dec 05		COMPLETED Revised job description produced