



FYLDE BOROUGH COUNCIL



Meeting Agenda

**Audit Committee
Town Hall, St Annes
Tuesday 17 June 2008, 7:00 p.m.**

**The doors to the Town Hall will be open to the public at
6:40p.m.**

The maximum capacity for this meeting room is 60 persons –
once this limit is reached no other person can be admitted.

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor John Singleton
VICE-CHAIRMAN – Councillor Keith Hyde

Councillors

John Coombes	Simon Renwick
Paul Rigby	Kathleen Harper
Paul Hayhurst	Elizabeth Oades
Louis Rigby	

Contact: Tracy Scholes, St. Annes (01253) 658521, Email:
tracys@fylde.gov.uk



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. DECLARATIONS OF INTEREST: <i>If a member requires advice on Declarations of Interest he/she is advised to contact the Legal Services Executive Manager in advance of the meeting. (For the assistance of Members an extract from the Councils Code of Conduct is attached).</i>	4
2. CONFIRMATION OF MINUTES: <i>To confirm as a correct record the minutes of the Audit Committee held on 3 April 2008. As attached at the end of the agenda.</i>	4
3. SUBSTITUTE MEMBERS: <i>Details of any substitute members notified in accordance with council procedure rule 25.3</i>	4
4. AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2008/09	7 – 32
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Personal interests

8.—(1) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

- (i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- (ii) any body—
 - (aa) exercising functions of a public nature;
 - (bb) directed to charitable purposes; or
 - (cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

- (i) any employment or business carried on by you;
 - (ii) any person or body who employs or has appointed you;
 - (iii) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;
 - (iv) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);
 - (v) any contract for goods, services or works made between your authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);
 - (vi) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £25;
 - (vii) any land in your authority's area in which you have a beneficial interest;
 - (viii) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;
 - (xi) any land in the authority's area for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or
- (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision;

(2) In sub-paragraph (1)(b), a relevant person is—

- (a) a member of your family or any person with whom you have a close association; or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

Disclosure of personal interests

- 9.—**(1) Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
- (2) Where you have a personal interest in any business of your authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.
- (3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
- (4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

- (5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.
- (6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.
- (7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000(d).

Prejudicial interest generally

- 10.—**(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.
- (2) You do not have a prejudicial interest in any business of the authority where that business—
- (a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
 - (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
 - (c) relates to the functions of your authority in respect of—
 - (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
 - (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
 - (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
 - (iv) an allowance, payment or indemnity given to members;
 - (v) any ceremonial honour given to members; and
 - (vi) setting council tax or a precept under the Local Government Finance Act 1992.

Prejudicial interests arising in relation to overview and scrutiny committees

- 11.—** You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—
- (a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and
 - (b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

Effect of prejudicial interests on participation

- 12.—**(1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your authority—
- (a) you must withdraw from the room or chamber where a meeting considering the business is being held—
 - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
 - (ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;
 unless you have obtained a dispensation from your authority's standards committee;
 - (b) you must not exercise executive functions in relation to that business; and
 - (c) you must not seek improperly to influence a decision about that business.
- (2) Where you have a prejudicial interest in any business of your authority, you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
HEAD OF FINANCE	AUDIT COMMITTEE	17 TH JUNE 2008	4

AUDIT COMMISSION'S AUDIT AND INSPECTION PLAN 2008/09

Public Item

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

Summary

The report presents proposals for the Audit Commission's audit and inspection work to be undertaken at the Council during the current financial year.

Recommendation

1. That the proposed audit and inspection plan for 2008/09 be noted.

Reasons for recommendation

To comply with statutory requirements.

Cabinet Portfolio

The item falls within the following Cabinet portfolio: Finance and Efficiency -
Councillor P Rigby

Report

1. Each year the Council's external auditors, who are appointed by the Audit Commission, prepare an audit and inspection plan which sets out their proposed activities for the forthcoming year.
2. For 2008/09 the Audit Commission has appointed KPMG as the external auditors for the Council.

3. Attached to this report is the proposed audit and inspection plan for 2008/09 which sets out the key areas of activity which KPMG propose to audit and inspect during the coming year.
4. Because KPMG have only recently been appointed as the Council's auditors the plan contains some provision for flexibility during the year as they become more familiar with the risks facing the Council.
5. A representative of KPMG will be present at the meeting to introduce the report.

Report Author	Tel	Date	Doc ID
P Woodward	(01253) 658500	June 2008	

List of Background Papers		
Name of document	Date	Where available for inspection
Attached at appendix A	May 2008	Town Hall

Attached documents

1. Appendix A – Annual Audit & Inspection Plan

IMPLICATIONS	
Finance	The financial implications are outlined in the audit and inspection plan and are accounted for in the approved budget for 2008/09.
Legal	The Council is required to facilitate the audit and inspection process.
Community Safety	None arising directly from the report.
Human Rights and Equalities	None arising directly from the report.
Sustainability	None arising directly from the report.
Health & Safety and Risk Management	None arising directly from the report.

Audit and Inspection Plan

Fylde Borough Council

Audit 2008/09

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- 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 0844 798 7070.

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Introduction

- 1 This plan has been developed by the Audit Commission and the Council's appointed auditor. It sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 As the Audit Commission's CAAL, I will be taking responsibility for the delivery of the planned inspection work. The audit work will be undertaken by the appointed auditor, KPMG LLP, led by Trevor Rees.
- 4 As KPMG have not yet completed the audit for 2007/08, the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 5 The Audit Commission and the Council's appointed auditor will comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspections and audit); and
 - the Code of Audit Practice.
- 6 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 8 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and audit work is undertaken in the context of these responsibilities.

Fees

- 9 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 10 The total indicative fee for the audit work included in this audit and inspection plan for 2008/09 is for £125,000, which compares to the planned fee of £108,170 for 2007/08.
- 11 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

Table 1 Audit and Inspection fee

Audit area	Planned fee 2008/09	Planned/Actual Fee 2007/08	Page
Audit (excluding Pension Fund)	£125,000	£108,170	9
Total audit fee	£125,000	£108,170	
Total inspection fee	£5,972	£5,900	12
Certification of claims and returns	£30,000	£30,000	18

- 12 The Audit Commission scale fee for the audit of Fylde Council is £92,859. The fee proposed for 2008/09 is +35 per cent compared to the scale fee. This is above the normal level of variation specified by the Commission but reflects the risks facing Fylde Council.
- 13 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different to that identified for 2007/08;
 - internal audit undertakes appropriate work on all systems; and
 - good quality working papers and records will be provided to support the financial statements by the date outlined in the 'prepared by client list document' provided by your auditors.

Further details of the assumptions are outlined in Appendix 2.

- 14 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 15 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.

Specific actions Fylde Council could take to reduce its audit fees

The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit fees. The Council's appointed auditor has identified the following actions Fylde Council could take to reduce its fees.

- Prepare detailed self assessment files for Use or Resources.
- Provide detailed supporting working papers to support the financial statements as set out in the prepared by client list.
- Continue to make arrangements for improving the management of financial resources within the Council.

Process for agreeing any changes in audit fees

- 16 As set out in paragraph 4, we expect that the initial risk assessment may change as the year progress. Where this is the case, we will discuss this in the first instance with the Chief Executive. If required, supplements to the plan will be issued to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

17 KPMG are required to issue an audit report giving our:

- opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009; and
- a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 18 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks may only become apparent after we have completed our 2007/08 audit. We will discuss the need for a separate final accounts audit plan when we have issued our 2007/08 opinion.
- 19 The adoption of International Financial Reporting Standards (IFRS) is not required by most local government bodies in 2008/09. However, there is a requirement to prepare whole of government accounts (WGA) consolidation packs on the basis of IFRS.

VFM conclusion

- 20 In reaching our conclusion, KPMG will review evidence that is relevant to the Council's performance management and financial management arrangements.
- 21 The key risks highlighted from the planning are summarised in the table below with details of planned work to mitigate the risks. Full details of the risk assessment are outlined in Appendix 3.

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
Health Inequalities	Following the cross cutting work undertaken during 2007/08 this work we will continue to focus on high priority issues for Fylde and the wider region.
Management of Financial Resources	Given the changes in providing s.151 arrangements and concerns raised by a number of local electors along with the overspends highlighted late in 2007/08 we will undertake a review of the Councils arrangements for Monitoring financial resources and how this links with the Medium Terms Financial Strategy.

Use of resources 2007/08

- 22 This audit plan covers the last year of the current regime for Use of Resources assessment as part of the CPA framework. The work required to arrive at the 2007/08 Use of Resources assessment is fully aligned to that required to arrive at the auditor's 2007/08 Value for Money conclusion.
- 23 Appendix 1 outlines the criteria and scoring.
- 24 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through the continuous planning process as the year progresses.

Mandated work

25 As part of the audit, the mandated work programme comprises:

- data quality for 2007/08; and
- whole of government accounts.

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 26 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 27 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 28 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as one star.
- 29 We have applied the principles set out in the CPA framework, '*CPA – The Harder Test*', recognising the key strengths and areas for improvement in the Council's performance.
- 30 Strengths in the Council's performance include:
- waste management.
- 31 Areas for improvement in the Council's performance include:
- financial reporting and preparation of the financial statements; and
 - financial management and monitoring of revenue and capital budgets.
- 32 On the basis of the planning process we have identified where inspection activity will be focused for 2008/09 as follows.

Table 3 Summary of inspection activity

Inspection activity	Reason/impact
Comprehensive Area Assessment Lead	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the CAAL, of how well the Council is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter.

Additional services work

- 33 We are not proposing to do any additional services, work at Fylde Council during 2008/09.

The audit and inspection team

- 34 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

Table 4 Audit and inspection team

Name	Contact details	Responsibilities
Tom Keena CAA Lead	t-keena@audit-commission.gov.uk 07901 513886	The primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Trevor Rees KPMG Appointed Auditor	trevor.rees@kpmg.co.uk 0161 246 4063	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Audit Committee.
Richard Foster KPMG Manager	richard.foster@kpmg.co.uk 0113 231 3148	Manages and coordinates the different elements of the audit work.
David Swallow KPMG Audit Assistant Manager	david.swallow@kpmg.co.uk 0161 246 4314	Responsible for co-ordinating and delivering the day to day work.

Quality of service

- 35 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve the service, please contact your CAAL or appointed auditor in the first instance. For any complaints concerning audit work, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).
- 36 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website or on request.

Planned outputs

- 37 Reports will be discussed and agreed with the appropriate officers before being issued to the audit committee.

Table 5 **Planned outputs**

Planned output	Indicative date
Audit and Inspection Plan	April 2008 (CAA Lead and KPMG)
Interim audit memorandum	May/June 2009 (KPMG)
Annual governance report (ISA 260)	September 2009 (KPMG)
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009 (KPMG)
Final accounts memorandum	October/November 2009 (KPMG)
Use of resources report	October 2009 (KPMG)
Annual external audit report	December 2009 (KPMG)
Annual Audit Letter (including Direction of Travel report)	TBC (KPMG & CAA Lead)

Appendix 1 – Work under the Code of Audit Practice

Financial statements

- 1 KPMG will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 KPMG are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 3 KPMG are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 4 The Code requires your appointed auditor to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at the conclusion.
- 5 In meeting this responsibility, KPMG will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, we will normally place reliance on their reported results to inform the work.
- 6 The appointed auditor will also follow up audit work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 7 The Use of Resources themes and KLOEs are outlined below.
- 8 The appointed auditor will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Theme	Description
Financial reporting	<ul style="list-style-type: none"> • Preparation of financial statements • External reporting
Financial management	<ul style="list-style-type: none"> • Medium-term financial strategy • Budget monitoring • Asset management
Financial standing	<ul style="list-style-type: none"> • Managing spending within available resources
Internal control	<ul style="list-style-type: none"> • Risk management • System of internal control • Probity and propriety
Value for money	<ul style="list-style-type: none"> • Achieving value for money • Managing and improving value for money

- 9 The details of the scores and judgements will be reported to the Council. The scores will be accompanied, where appropriate, by recommendations on what the Council needs to do to improve.
- 10 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of the CPA.

Data quality

- 11 This plan covers the 2007/08 data quality work. This is based on a three-stage approach covering:
 - Stage 1 – management arrangements;
 - Stage 2 – analytical review; and
 - Stage 3 – risk-based data quality spot checks of a sample of 2007/08 performance indicators.

- 12 Work will be focused on the 2007/08 overall arrangements for data quality, particularly on the responsibility of the Council to manage the quality of its data including data from partners where relevant.
- 13 The fee estimate reflects an assessment of risk in relation to the Council's data quality arrangements and performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee

Whole of government accounts

- 14 KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 15 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

Certification of grant claims and returns

- 16 KPMG will continue to certify the Council's claims and returns on the following basis.
 - Claims below £100,000 will not be subject to certification.
 - Claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification.
 - Claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

Appendix 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - the Council's strategic risk register;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - you will inform us of significant developments impacting on the audit;
 - internal audit meets the appropriate professional standards;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that KPMG can place reliance for the purposes of the audit;
 - you will identify and implement any changes required under the CIPFA SORP within your 2008/09 financial statements;
 - good quality working papers and records will be provided to support the financial statements by date set out in the 'prepared by client document';
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when the opinion audit plan is issued.

- 5 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
 - additional work is required by the Audit Commission, KPMG or other regulators; or
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in 12 equal instalments from April 2008 to March 2009.

Table 6 Detailed audit and inspection fee

Audit area	Planned fee 2008/09	Planned/Actual 2007/08	Page
Audit (excluding the Pension Fund)			
Financial statements	£70,000	£69,500	
Use of resources	£50,870	£34,670	
Whole of government accounts	£3,100	£3,000	
National Fraud Initiative	£1,030	£1,000	
Total audit fee	£125,000	£108,170	
Inspection			
CAA Lead time	£2,986	£2,950	
Direction of Travel	£2,986	£2,950	
Total inspection fee	£5,972	£5,900	
Total audit and inspection fee	£130,972	£114,070	
Certification of claims and returns	£30,000	£30,000	

Appendix 3 – KPMG's initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Health Inequalities		Yes	A continuation of the cross cutting work commenced in 2007/08 across the Fylde Coast.	CAA Managing resources Value for Money conclusion
Management of financial resources	FBC have recognised there are capacity issues given the departure of the s.151 officer in November 2007 and have looked to source additional financial services support.	Yes	Given the change in arrangements, concerns raised by a number of local electors and the overspends highlighted late in 2007/08 we will undertake a review of the Councils management of its financial resources.	CAA Managing money, Managing the Business Value for Money conclusion

Appendix 4 – Independence and objectivity

- 1 We are not aware of any relationships that may affect the independence and objectivity of the KPMG audit staff, which they are required by auditing and ethical standards to communicate to you.
- 2 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The appointed auditor is responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
- The appointed auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 5 – Working together

Meetings

- 1 The audit and inspection team will maintain knowledge of your issues to inform audit and inspection work through regular liaison with key officers. We will agree a schedule of meeting with management.

Sustainability

- 2 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce the impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel; and
 - other initiatives.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
HEAD OF FINANCE	AUDIT COMMITTEE	17 TH JUNE 2008	5

KPMG INTERIM AUDIT REPORT

Public Item

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

Summary

This report summarises the findings of the planning and interim audit work undertaken by the Councils auditors KPMG.

Recommendation

That the issues identified by KPMG, together with the responses from Management Team be noted.

Attached Documents

KPMG – Interim Audit Report



LOCAL GOVERNMENT

Interim Audit Report

Fylde Borough Council

5 June 2008

AUDIT

The contacts at KPMG in connection with this report are:

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david.swallow@kpmg.co.uk

Executive Summary

2

Accounts and Financial Control

3

- Introduction
- Accounts production process
- Review of Internal Audit

Appendices

5

- A. Accounts recommendations
- B. Review of Internal Audit

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

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

If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Trevor Rees who is the engagement Partner to the Council, telephone 0161 246 4063 email trevor.rees@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, email trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG’s work with the Audit Commission After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission’s complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Executive Summary

This report summarises the findings of our planning and interim audit work at Fylde Borough Council ('the Council'). Our work in this phase of the audit focuses on understanding the Council to identify the areas which will require most audit focus. We also consider financial controls and hold initial discussions with officers on how they are addressing the main challenges.

Our planning and interim work has identified improvement needs to enhance the system of internal control. Our recommendations included in Appendix A are the key areas for development and are summarised below:

- Procedure notes for budget monitoring should be documented and performance against budgets discussed on a regular basis with responsible officers;
- A consistent approach for raising and authorising purchase orders should be followed;
- All manual journals should be reviewed and authorised by an independent senior officer;
- All significant bank accounts should be reconciled on a monthly basis; and
- The Council Tax and NNDR system should be reconciled to general ledger, and exception reports reviewed, on a monthly basis.

In addition to our interim work on the Accounts, we have also undertaken some early work as part of our Use of Resources (UoR) auditor's scored judgments work. We have looked specifically at the Internal Control (and Value for Money) key lines of enquiry, as these areas are linked to aspects of our accounts audit testing at the interim stage. We are not reporting formally on the findings from this work at this stage, as the Audit Commission's timetable still provides for a single annual audit letter later in the year. We will return to this work later in the year and formulate our UoR scores, at which point we will report our findings to the Council.

Based on our work in March and April and on our review of internal audit’s work, we concluded that the Council has a number of improvement needs to enhance the system of internal control. We have raised ten recommendations in Appendix A. Three of these issues have been categorised as high risk.

Introduction

To prepare for the audit of your accounts, we carry out a number of tasks to ensure that we are able to fulfil our Code responsibilities whilst ensuring that we work efficiently with you.

Accounts production process

The table below summarises the main steps in the accounts audit process.

In some cases, the work is split between our interim and final visits – for example, we test controls during our interim visit, but also complete some work during our final visit – for example, year end reconciliations:

Work Performed	Pre-accounts production stage
Task 1. Business Understanding: review your operations.	✓
Task 2. Controls: assess the control framework.	Completed interim work
Task 3. PBC: issue our prepared by client request.	✓
Task 4. Accounting standards: agree the impact of any new accounting standards.	Completed interim work
Task 5. Production: review the accounts production process.	Completed interim work
Task 6. Testing: test and confirm material or significant balances and disclosures.	Not completed at this stage
Task 7. Opinions & representations: seek and provide representations before issuing our opinions.	Not completed at this stage

The results of our work in each of these sections is summarised below:

Task 1. Business Understanding

In our Annual Audit and Inspection Plan we identified the following two issues that have an impact on the financial statements.

- **Compliance with the SORP:** we are working with you to ensure that your accounts are fully compliant with any revisions to the SORP; and
- **Quality and timeliness of accounts and working papers:** We are working with you to further refine the efficiency of the accounts preparation and audit process and to meet the 2007/08 timescales.

Task 2. Prepared by Client Request

This document summarises the evidence we ask you to collate to support the financial statements and assist the audit process. We issued our prepared by client request to the Interim Director of Finance and Accountancy Services Manager on 6 February 2008.

We have discussed the document with officers and will have further discussions if there are any areas where our expectations need to be clarified.

Accounts and Annual Governance Statement (continued)

Task 3. Assessment of the Control Framework

We work with internal audit to assess your control framework around the initiation, processing and recording of transactions.

We have identified several areas where action is needed to improve controls. The actions required are outlined in recommendations one to ten Appendix A. Our assessment of internal audit is in section three.

Task 4. Accounting Standards

We work with you to understand how any changes to accounting standards or in the SORP impact on the financial statements. From a review of the SORP we have identified the following areas that we have drawn to the attention of officers for action :

- The replacement of the Capital Financing Account and Fixed Asset Restatement Account with a Capital Adjustment Account and Revaluation Reserve. This is a technical accounting change only; and
- The change from requiring the publication of an Statement on Internal Control (SIC) to requiring an Annual Governance Statement. This will need to cover the Council's performance management issues in addition to the governance and control issues previously disclosed in the SIC.

The Council also needs to begin to consider the impact of the introduction of International Financial Reporting Standards in the public sector.

Task 5. Production

We have discussed the Council's plans for preparing for final accounts with lead officers and will continue to monitor progress against these plans.

Task 7. Opinions and Representations

Auditing standards require us to provide you with representations concerning both our independence and ability to act as your auditors. You are also required to provide us with representation on specific matters such as your financial standing, whether the transactions within the accounts are legal and unaffected by fraud. We will provide a draft of the representation letter, which we require you to make, to the Director of Finance.

Review of Internal Audit

Compliance with the Code of Practice for Internal Audit

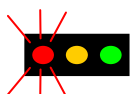
Standards for internal auditors in local government are set out in the *Code of Practice for Internal Audit in Local Government*. We have assessed Internal Audit against these requirements and detailed our assessment in Appendix B.

Appendix A: Accounts recommendations

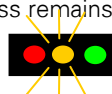
This appendix summarises our recommendations relating to the accounts production process. We have given each recommendation a risk rating (as explained below) and agreed what action you will need to take with management. We will follow up these recommendations as part of our final audit visit where appropriate and the 2008-09 audit.

Priority rating for recommendations raised

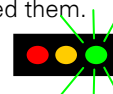
Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

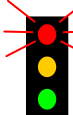




Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.







Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.






No.	Risk	Issue and recommendation	Management response	Officer and due date
1		Budget monitoring procedures <p>The Council should produce a budget monitoring policy, or set of procedure notes, detailing the actions, timescales, accountability levels etc to be followed by all budget holders.</p> <p>This will supplement the finance training provided to budget holders in Summer 2007 and ensure appropriate budget monitoring procedures are followed.</p>	<p>Budget Monitoring process was agreed at Management Team in March 2008.</p> <p>Budget reports and training will be undertaken in late June 2008.</p> <p>The Council's Constitution already sets out the Executive Managers responsibilities with regard to Budget preparation, monitoring and control (Appendix L of Financial Regulations).</p>	<p>31 July 2008</p> <p>Director of Finance</p>
2		Purchase ordering procedures <p>The Council should ensure a consistent procedure for raising and authorising purchase orders is followed across all Council Departments. This will ensure purchase orders exist and can be matched to an invoice prior to authorisation for payment.</p> <p>At present purchase ordering procedures vary across the Council; some departments use the PPSL electronic ordering system, some use the official order books and some use more informal methods, such as telephone or email.</p>	<p>Although we accept there are inconsistencies there are ordering processes in place. The budget holders are accountable for spend against their budgets.</p> <p>A new purchase ordering system is planned during 2008/09 which will be rolled out across the Council. It will include a commitment accounting facility.</p>	<p>31 March 2009</p> <p>tbc</p>
3		Authorisation of manual journals <p>The Council need to ensure all manual journals are reviewed, authorised and evidenced as such by an independent, senior officer either prior to posting, or retrospectively in a timely manner.</p>	<p>Posting of Journals is restricted to the Finance team with any changes agreed in conjunction with budget holders.</p>	<p>With immediate effect</p> <p>Accountancy Services Manager</p>

Appendix A: Accounts recommendations (continued)

No.	Risk	Issue and recommendation	Management response	Officer and due date
4		Purchase ordering <p>The Council should ensure that budget holders review their budgets to ensure sufficient funds are available prior to raising any orders. This review should then be evidenced on the order form, or via the PPSL system.</p>	<p>The Financial Regulations state that budget holders must not overspend. Approval rules are set out in the Council's Constitution and this will be addressed as part of the training to budget holders.</p>	<p>31 July 2008 Director of Finance</p>
5		Budget monitoring <p>The Council should ensure that regular meetings are held with budget holders to discuss significant variances and virements. These meetings should be minuted to ensure an audit trail is maintained for any key decisions .</p> <p>Our review of budget monitoring established that there is a process in place for emailing budget monitoring reports to relevant officers and that officers received training on the general ledger to allow them to access budget monitoring reports.</p> <p>However, budget monitoring reports were emailed infrequently between April and December 2007 due to staff shortages, and there was no process in place for obtaining explanations for significant variances, or virements.</p>	<p>Budget monitoring reports were issued at key stages during the budget and closure process. Management Team have agreed the Budget Monitoring process for 2008/09 onwards. Budget training is to commence in June 2008. It will be an ongoing process of continuation, refinement and improvement.</p>	<p>31 July 2008 Director of Finance</p>
6		Bank reconciliations <p>The Council should ensure that all bank accounts are reconciled on a monthly basis, with any reconciling items followed up and cleared in a timely manner.</p> <p>Our testing established that bank reconciliations were not performed between April and December 2007, although we understand an exercise has recently been completed to reconcile all the bank accounts in advance of the year end.</p>	<p>Processes and procedures will be reviewed during 2008/09. Bank Reconciliation will now be done, and should be done, on a monthly basis from 2008/09 onwards as it is a key control account.</p>	<p>With immediate effect Accountancy Services Manager</p>
7		Reconciliation of Council Tax and NNDR system <p>The Council should reconcile the Council Tax and NNDR system to general ledger on a monthly basis to ensure any posting errors are identified, and resolved, in a timely manner.</p> <p>The Council should also ensure that the system is fully reconciled, with all reconciling balances cleared, as part of the financial close down procedures for the current financial year.</p>	<p>Cash received and payments are reconciled on a monthly basis. Ledger does not contain any other information until year end. Other authorities will operate like times.</p>	<p>With immediate effect Accountancy Services Manager</p>

Appendix A: Accounts recommendations (continued)

No.	Risk	Issue and recommendation	Management response	Officer and due date
8		Council tax and NNDR exception reports <p>The Council should monitor Blackpool BC performance to ensure that the 'Debit Audit' exception reports for both council tax and NNDR are formally reviewed on a monthly basis, and evidenced as such, to identify any unauthorised or incorrect amendments to the system.</p>	Will be picked up as part of the contract monitoring. The control will be undertaken at year end otherwise is reliant upon information from the District Valuers Office.	31 March 09 Client manager – Revenues and Benefits
9		Payroll establishment lists <p>The Council should ensure that establishment lists are reviewed, and evidenced as such, by Heads of Service and returned to HR where they are retained as evidence of the control operating effectively.</p> <p>During our interim visit, the establishment lists issued during the year could not be located so we were unable to verify that this control was operating.</p> <p>We understand that following the implementation of 'HR Vision', this control will become automated.</p>	HR vision access is in place. Work continues with Blackpool BC to reconcile establishment to vacancies to budget.	30 October 08 Exec manager - corporate policy and performance And Accountancy Services Manager
10		Review of payroll reconciliations <p>The Council should ensure the reconciliations for the key payroll ledger codes are reviewed, and evidenced as such, by an independent, senior officer.</p> <p>Furthermore, at the time of our interim visit there were outstanding balances on the weekly payroll control account relating to services previously provided by Wyre BC. The Council need to ensure these are all cleared as part of the financial close-down procedures for the current financial year.</p>	<p>Reconciliations done on a monthly basis by a Senior Accountant. Balances have been cleared.</p> <p>Internal Audit are about to undertake a review of payroll processing procedures service undertaken by Blackpool B.C. and Fylde B.C.</p>	With immediate effect Accountancy Services Manager

Appendix B: Review of Internal Audit

The *Code of Practice for Internal Audit in Local Government* (“the Code”) directs the work of internal auditors. The Code defines the way in which the internal audit service should be established and undertakes its function. It applies equally to internal audit services which are provided by in-house audit teams and by external contractors who provide either partial services in support of an in-house team or the whole internal audit service. The Code is included in the criteria for judgement for the Use of Resources assessment.

The Standards	Commentary on your internal audit
Scope of internal audit	Internal audit’s annual plan was approved by the Audit Committee in April 2007. The main financial systems of the Council are covered every year; other annual reviews include corporate governance and performance management.
Independence	Members of Internal Audit staff do not have any executive or operational responsibilities. Individual auditors make an annual declaration of outside interests in accordance with the Code of Ethics and the Head of Internal Audit reviews such declarations and takes appropriate action to minimise the risk of conflict.
Audit committee (or equivalent)	Internal Audit meets with the Audit Committee quarterly as a minimum to present reports. The Head of Internal Audit may also report directly to the Chairman of the Committee if deemed necessary.
Relationships with management, other auditors and other review bodies	The responsibilities and freedom to report of Internal Audit are set out in the Internal Audit Terms of Reference. This includes the right to unrestricted access to Executive Management, Members and all Council employees. Relationships between internal audit and management appear to be co-operative and collaborative.
Staffing, training and development	Training and development needs are reviewed by the Head of Internal Audit, principally through the staff appraisal process. Training provision is then targeted to individual needs.
Due professional care	All internal audit staff are appropriately qualified, or are training for relevant qualifications, and are therefore bound by appropriate due professional care standards.
Reporting	<p>The Head of Internal Audit reports periodic updates against the audit plan to the Audit Committee. On an annual basis, the Head of Internal Audit delivers an opinion on the overall effectiveness of the internal control environment.</p> <p>All audit assignments are subject to formal reporting. These include action plans with agreed timescales and responsibility assigned to officers. All audit reports are formally followed up to monitor implementation of agreed actions.</p>
Quality assurance	The Head of Internal Audit reviews all completed assignments to ensure the quality of audit work and compliance with the Charter and Code of Ethics. Satisfaction surveys are also sent following each agreed audit report to enable managers and staff to provide feedback. The Head of Internal reviews responses to these and takes appropriate action where necessary.

We aim to develop a co-operative relationship with Internal Audit in order to facilitate KPMG placing reliance on the work of Internal Audit, eliminate duplication of effort and reduce audit costs to the Council. As part of this, we will review Internal Audit reports and meet regularly to allow us to address the areas of highest risk during our audit.

REPORT

REPORT OF	MEETING	DATE	ITEM NO
POLICY & PERFORMANCE	AUDIT COMMITTEE	17 JUNE 2008	6

IT RISK ASSESSMENT ACTION PLAN PROGRESS UPDATE

Public item

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

Summary

The report provides the committee with a progress update against the IT Risk Assessment Action Plan produced in 2007. The report has been produced at the request of the committee. Details of events and changes in the IT service area over the last 12 months are also included in the report to provide members with a comprehensive understanding of the current challenges.

Recommendations

1. That the committee recognises the progress made to date against the Risk Assessment Action Plan and makes any appropriate suggestions for support or improvement to the Cabinet Portfolio Holder and / or the officers responsible for the service. The committee are asked to note that at the time of producing the report only three of the recommended target dates had passed.
2. That a further progress update report is presented to the committee after all of the agreed target deadline dates have passed.

Portfolio Holder

The Cabinet Portfolio Holder for Finance & Efficiency is Councillor Paul Rigby.

Report

1. Appendix 1 provides a detailed progress update against the actions agreed in the IT Risk Assessment plan in 2007. Members should note that only three of the agreed dates for completion had passed at the time the progress report was requested.

2. Although progress to date against the actions in the IT Risk Assessment is very good the committee should be aware that several unplanned challenges have had an impact on the work schedule in the IT Team.
3. The IT team has recently relocated Revenues to Blackpool which involved a significant amount of work and the Benefits staff may be going to Blackpool in the next few weeks, not the October date I was originally scheduled. The closure of Freedom House and the Kirkham OSS had not been planned for when the target dates on the IT Risk Assessment Plan were set. The closure of the Kirkham OSS made some of the disaster recovery work redundant because the facility was one of the off site back up options. Though unplanned work of this nature is common and can often be accommodated as a contingency the IT Team are operating with a vacant post frozen in line with the corporate initiative to achieve as many savings as possible for 2008/09.

IMPLICATIONS	
Finance	There are no direct financial implications arising from the report.
Legal	There are no direct legal implications arising from the report.
Community Safety	There are no direct community safety implications.
Human Rights and Equalities	There are no direct human rights and equalities implications arising from the report.
Sustainability	There are no direct sustainability implications arising from this report.
Health & Safety and Risk Management	The action plan is a result of a risk assessment and any risks are mitigated by the actions undertaken.

Report Author	Tel	Date	Doc ID
ALLAN OLDFIELD	(01253) 658576	APRIL 24 TH 2008	

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

List of appendices

Appendix 1: The IT Risk Assessment Action Plan Progress

Appendix 1: IT Risk Assessment Plan Update

	Recommendation	Target Date	Progress
R1	Produce corporate guidelines for application system testing, document the testing and formalise sign off of system installations and updates	N/A	Individual system administrators are responsible for determining the appropriate level of application testing. Resources in IT are not available for this.
		July 2008 (IT)	Application system testing procedures and guidelines are currently being developed through the use of server virtualisation. The use of virtual servers has enabled the IT team to make greater use of test environments when installing / upgrading system software – the action will be completed by the agreed target date.
R2	Develop a policy for the retention and checking of Audit Trails	July 2008	A policy will be developed regarding the retention and checking of audit trails. This policy will be internal to the IT team – the action will be achieved by the agreed target deadline date.
R3	Review the procedures for dial in systems and improve the security	July 2008	The process of moving suppliers over to the Citrix solution for remote access and support is in place and has been used by the Revenues team and several key home / remote workers. The Citrix solution offers the most secure dial in option and final checks will be completed by the target date of July 2008.
R4	Senior Management Group to consider and authorise significant changes on a regular basis to ensure that they fit with the authority's priorities and aims	N/A	Senior managers are consulted on the IT Strategy and Computer Use/Security Policy. Service managers sign off all requests for change originated within their Unit/Teams. The IT Manager checks that the requested changes conform to the necessary policies and strategies.
R5	Offsite copies of data should be retained in a locked, fireproof container in a building at least half a mile from the computer room	Jan 2008 Revised target date June 2008 due to closure of Freedom House	Backup tapes are taken off site to the public offices and secured. The option of a location that is more than half a mile has been investigated with Freedom House initially being used. The action was completed then the Council made the decision to close Freedom House so the option of Lowther Pavilion is being investigated. This will be addressed by June 2008.

	Recommendation	Target Date	Progress
R6	Complete the development of a Disaster Recovery Plan and test it as soon as possible	Jan 2008	<p>An SLA has been developed in conjunction with LCC and Wyre BC for the provision of a server room, networking and technical staff (if needed).</p> <p>LCC's agreement with HP for the provision of server hardware in the case of an emergency has been extended to cover Fylde.</p> <p>Important/critical systems have been documented to allow a third party, with little or no knowledge of FBC's requirements to restore systems.</p> <p>Systems identified as important/critical have been migrated to the Council's 'Virtual' platform to allow quicker restore than if on a dedicated server.</p> <p>New hardware is used to enable systems to be virtualised which, because of the need for modems, etc., it had not been possible to do before.</p> <p>Software CD's are copied and stored offsite (Public Offices see R5).</p> <p>A plan that contains the instructions for performing tasks needed to recover the Council's infrastructure is in draft. The person in charge of the DR process must have enough technical skill to decide which elements of the plan are needed (this work was finished in April 08 behind target).</p> <p>Extra remote working connections have been enabled to provide additional resilience in the event of any disaster and allow remote access to systems.</p> <p>A component of our telephone system has been installed in the server room at Wyre BC. This will enable staff (max 40) to receive and make telephone calls at Wyre BC's offices in the event of the loss of the Town Hall.</p>
		August 2008	Parts of the draft DR plan have been successfully tested on two occasions and further tests are planned and will be completed by the agreed deadline date.
R7	Ensure that vacant posts within the IT service are filled with the minimum delay	Ongoing	The decision has been taken to keep a current vacancy frozen for as long as possible in line with the corporate approach to make maximum savings in 2008/09 as a result of the 2007/08 over spend. This will have an impact on the ability to complete all actions to the agreed deadline and will require activities to be prioritised.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
DEMOCRATIC SERVICES AND MEMBER SUPPORT BUSINESS UNIT	AUDIT COMMITTEE	17 JUNE 2008	7

RISK MANAGEMENT ANNUAL REPORT

Public item

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

Summary

The report summarises the year end report on the 2007-2008 Risk Register Action Plans, the work undertaken by the Council's Insurance & Risk Management Officer in producing the Strategic Risk Register for 2008 – 2009 and the annual review of the Risk Management Strategy.

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

Recommendations

1. It is recommended that the year end report of the progress made on the 2007-2008 Risk Action plans be considered and appropriate comments made.
2. It is recommended that the Strategic Risk Register for 2008-2009 is approved
3. It is recommended that the Risk Management Strategy (reviewed June 2008) is approved.

Executive Portfolio

The item falls within the following executive portfolio:

Customer Services, Partnerships, Performance and Development:

Councillor Albert Pounder

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 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 Since 2004, the review of strategic risks has been conducted each year by Council's Insurance & Risk Management Officer and Head of Internal Audit. Both officers work as a team to undertake an exercise which identifies key strategic risks facing the organisation and prioritising these risks.

1.3 The Audit Commission advises that there should be both member and officer involvement in the risk identification exercise. In 2008, this exercise involved both the Chief Officers Management Team, Middle Managers Group together with the Leader of the Council and Chairman of the Audit Committee.

1.4 It is a requirement of the Audit Commission that the strategic risks facing the council are reviewed on an annual basis.

2 Strategic Risk Register 2007-2008

2.1 Following the risk identification and prioritisation stage in each year, a risk register is produced as a result. This register identifies a number of actions requires to reduce the likelihood of the risk occurring.

2.3 These actions are monitored throughout the year by the Strategic Risk Management Group (SRMG). There were 43 such actions identified in the 2007-2008 Risk Register. The number of tasks completed in full was 38, this representing 89% of the total number of actions. A further 4 actions were partially completed by the end of the year, this representing a further 9% of the total number of actions. There was only 1 action (2%of the total) that had not commenced in the year. This action relied on external funding for a multi authority project on Business Process Re-engineering. The funding was not forthcoming and the project was re-thought. As a result of this the Council has made other arrangements for carrying out this work on BPR.

3 Review of the Risk Management Strategy

3.1 As mentioned in the introduction above the Use of Resources inspection regime requires the Council to review its risk management strategy on an annual basis and have the revised document adopted by the Audit Committee.

3.2 This year a review of the Business Unit Operational Risk Registers has also been conducted at the request of the Strategic Risk Management Group. This review has been carried out and the amendments to the strategy presented to you have been agreed with Internal Audit section. An updated version of the Strategic Risk Management Strategy is attached to this report for member approval. (Appendix 1)

4 Risk Register – 2008-2009

4.1 The risk register for 2008-2009 is attached (Appendix 2). The strategic risks and risk champions for each risk are:

Strategic Risk	Risk Champion
Political Relationships	Chief Executive
CPA re-categorisation	Chief Executive
Corporate Priorities	Executive Manager, Corporate Policy & Performance
Shared Services	Deputy Chief Executive
Accommodation	Executive Manager, Strategic Planning & Development
Staffing	Executive Manager, Corporate Policy & Performance
Budget Monitoring & Control	Section 151 Officer
Organisational Relationships & Communications	Executive Manager, Community & Cultural Services
Project Management	Deputy Chief Executive
Consultation / Complaints	Executive Manager, Community & Cultural Services
Embedding Health & Safety	Executive Manager, Democratic Services and Member Support
Risk Management – Operational Issues	Executive Manager, Democratic Services and Member Support

3.2 Each individual risk action identified in the Risk Register is recorded to enable it to be monitored through to its successful completion. Progress reports on the current status of all the risk actions are made to the SRMG.

Implications	
Finance	<p>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.</p> <p>The Use of Resources Judgement (assessment undertaken by External Audit) includes a section on Risk Management. Risk Management is included as a key part of the Internal Control assessment.</p>
Legal	The annual risk review forms a key part of the council's corporate governance arrangements.
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 and reviewing the Strategic Risk Management Strategy helps to fulfil the requirement of the Accounts Regulations and contributes to the scoring on the Use of Resources Inspection.

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit Cttee June 08

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



FYLDE BOROUGH COUNCIL



Risk Management Strategy

Approved June 2008

FOREWORD

Welcome to the Council's Strategic & Operational Risk Management Strategy, revised in June 2007. The aim of the Strategy is to improve strategic & risk management throughout the Council. Effective risk management allows the Council to:

- have increased confidence in achieving its priorities and outcomes
- mitigate threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that it gets the right balance between rewards and risks
- improve its partnership working arrangements and corporate governance

Effective risk management will help to ensure the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver its priorities and improve outcomes for its residents.

This strategy explains Fylde Borough Council's approach to strategic and operational risk management, and the framework that it will operate to ensure that it arranges its risks effectively.

Cllr, Albert Pounder
Risk Management
Cabinet
Portfolio Holder



Phillip Woodward
Chief Executive Officer
Fylde Borough Council



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Information Box

Title	Risk Management Strategy version 3.0 revised June 2007
Description	Fylde Borough Council's Risk Management Strategy
Primary audience	Members, Chief Executive, Corporate Management Team, Middle Managers and all Fylde Borough Council staff
Contact	Insurance & Risk Management Officer Democratic Services & Member Support Unit Tel. No.: 01253 658412
Last revised	June 2008

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

Aim:

The aim of this strategy is to improve the Council's ability to deliver its strategic priorities by managing its threats, enhancing its opportunities and creating an environment that adds value to ongoing operational activities.

Objectives:

- fully integrate strategic and operational risk management into the culture of the Council and into the Council's strategic planning processes
- ensure that the framework for identifying, analysing, prioritising, action planning, monitoring and monitoring and reviewing risks across the Council is implemented and understood by all relevant staff
- communicate the Council's approach to risk management to its stakeholders and partners
- promote the co-ordination of risk management activities across the Council
- Ensure that the Executive, Corporate Management Team (CMT) and external regulators can obtain the necessary assurance that the Council is mitigating the risks of not achieving its objectives, and thus complying with good corporate governance practice.
- Ensure consistency throughout the Council in the management of risk

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 Use of Resources Assessment and as such is an important element in demonstrating continuous improvement.

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.

Risk management is something that everyone within Fylde Borough Council undertakes almost daily to varying degrees. Risk Management cuts across all areas of management and it is, therefore, difficult to draw clear boundaries around risk management. However, at Fylde Borough Council risk management falls within the following main areas:

- Health & Safety
- Emergency Planning
- Business Continuity Planning
- Projects
- Business Risks i.e. risks identified in the Corporate & Operational Risk Registers

The risk management process contained in this strategy applies primarily to the Strategic Business and Project risk areas, however, the principle of the strategy can be applied to operational risk areas.

The main areas of risk identified above are managed by the following Business Units

Risk Area	Service Area with Lead Responsibility
Health & Safety Risks	Democratic Services & Member Support (Client) Blackpool Occupational Health & Safety Team (Delivery)
Emergency Planning	Consumer Wellbeing & Protection
Business Continuity Planning	Democratic Services & Member Support
Project Risks	Procuring Business Unit
Business Risks	Democratic Services & Member Support

Health & Safety and Emergency Planning

The Council has long established and effective processes for the management of risks falling within the Health & Safety and Emergency Planning areas of operation. The arrangements in place for these processes are not superseded by this strategy.

Business Continuity Management

Although there are clear inter-dependences between Business Continuity Planning and Strategic Risk Management, the Council's Business Continuity Planning arrangements are dealt with separately to this Strategy.

Project Risks

Projects risks can be managed using one, or a combination of the following risk management processes:

- Risk management techniques associated with the project management methodology used i.e. PRINCE2
- The Council's Strategic Risk Management Process

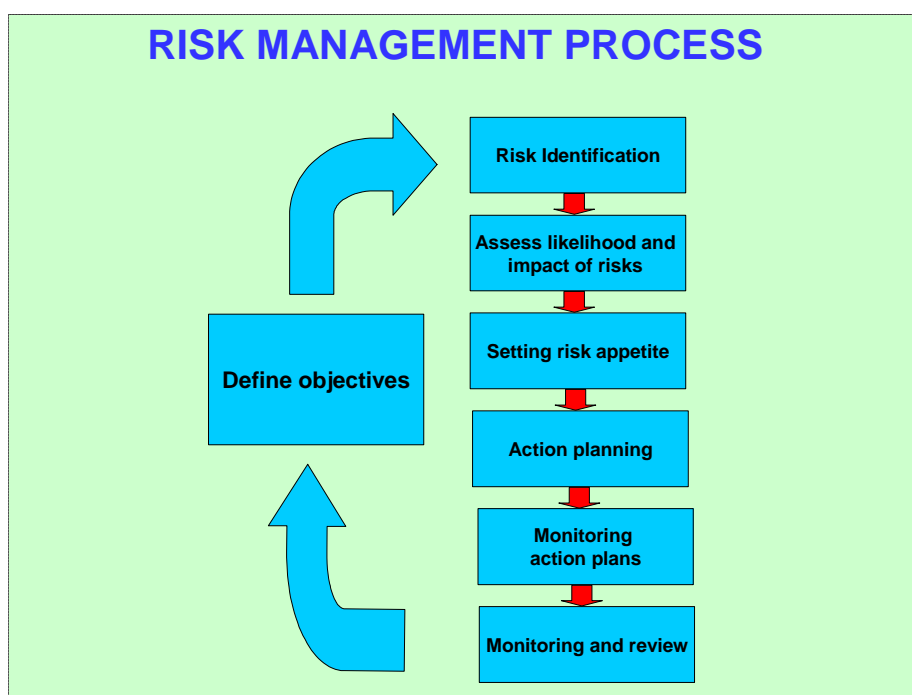
The size and scope of the project is likely to dictate the process best suited to managing the risks. However, all projects must undertake full risk assessments.

Business Risks

The risk management process outlined within this strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (delivery of the Council's core objectives and corporate plans) and operational activities (delivery of actions identified in business unit service plans)

5. What is the Risk Management Process?

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



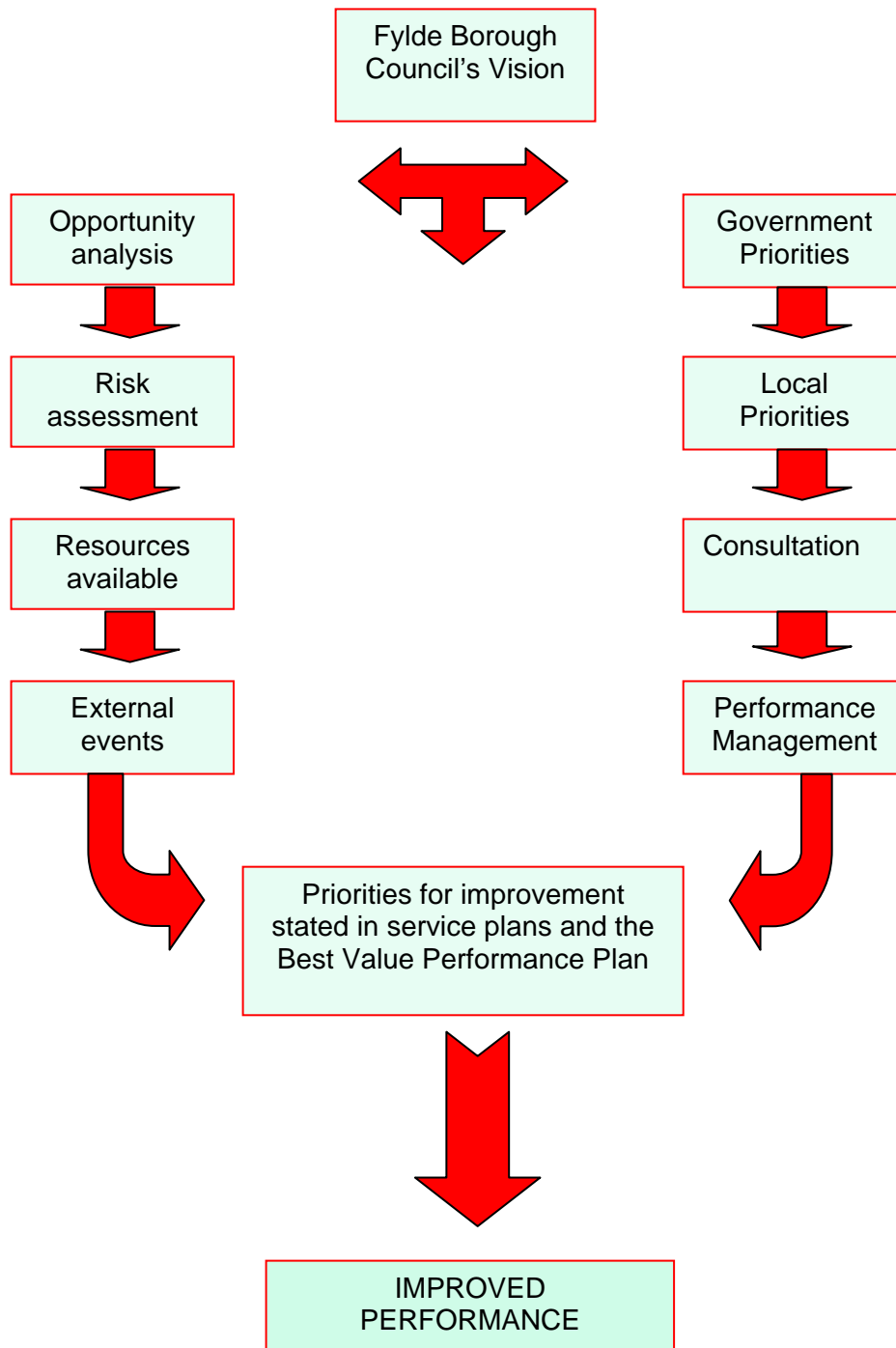
The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then 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

Step	Element	Activity Description
1	Risk Identification	Individual interviews are held in Dec / Jan each year with the Chief Executive, Deputy Chief Executive, Executive Managers, Council Leader, Portfolio Holder, Member Risk Champion and Chairman of the Audit Committee to identify strategic risks facing the Council over the next 12 months. Specific consideration is given to risks and opportunities associated with the Council's core objectives and priorities.
2	Risk Analysis	The risks identified in step 1 are analysed and clustered around common areas. These are then written into scenarios by the Risk Management Officer and Head of Internal Audit that show the vulnerability, trigger and consequences of each risk type.
3	Risk Priority	The risk scenarios are presented to a Corporate Management Team workshop to decide if the risk presented is in fact valid, if it is it is prioritised on a 5x4 matrix measuring Likelihood against Impact. Once all the risks are plotted on the matrix the risk appetite line is added. All risks above the line are then actioned planned.
4	Action Planning	Each risk identified above the line is action planned. This process shows what action is already taken to mitigate the risk and identifies what further actions should be taken to reduce the risk to a more acceptable level by reducing the likelihood of the risk occurring or the impact if it does. Each risk is assigned to a Champion who oversees the implementation of the action plan

Step	Element	Activity Description
5	Monitoring	The strategic risk management group monitors progress on the implementation of the agreed action plans throughout the year to ensure that all actions are completed. If necessary it will recommend to the CMT that new risk are added to the Risk Register should the need arise during the year.
6	Monitoring & Review	The whole process is monitored and reviewed on an annual basis. Once the outcomes of the current years activities are known the cycle starts over with interviews to Identify the risks for the next years risks register
7	Operational Risk	The managing of operational risks is conducted using the same framework but within each business unit. Operational Risks Registers are set up in each business unit and they are monitored by the Unit Risk Champion. Reports on the progress of the individual unit risk registers will be made to the operational risk management group as required by the unit risk champions

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.



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.

Links to Corporate Governance

Risk Management is part of the Council's overall Corporate Governance arrangements:

Governance is the system by which the Council directs and controls its functions and relates to the Community. In other words, the way in which it manages its business, determines its strategy and objectives and how it goes about achieving its objectives. The fundamental principles are openness, integrity and accountability. The risk management strategy forms part of Fylde Borough Council's corporate governance arrangements. The other main elements are Internal Control, Performance Management, Health & Safety and Internal Audit.

Internal Controls are those elements of an organisation (including systems, resources, processes, culture, structure and tasks) that, taken together support people in the achievement of the Council's objectives. Internal financial control systems form part of the wider system of internal controls. The Council's internal controls forms part of its risk management process and have a key role to play in the management of significant risks to the fulfilment of its business objectives. For example, the Council's policy and decision making processes require all Executive Reports to include a risk assessment sign off.

Performance Management and risk management are closely aligned. The Council's Performance Management process closely mirrors the Risk Management process.

The **Health & Safety** policy of the Council is a key component of the Council's structure of controls contributing to the management and effective control of risks affecting staff, contractors, volunteers, service users and the general public.

Internal Audit is a major component of the Council's system of controls protecting its financial and other physical assets. The risk management process in turn serves the Internal Audit function by enabling it to identify areas of high risk, and so target its resources more effectively.

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 an effective management tool	ongoing	Insurance & Risk Management Officer
Business Unit service plans -assessment and prioritisation of risks	Feb/Mar each year	Unit Risk Teams
Annual report to Audit Committee on achievement of Risk Actions contained in the Risk Register	June each year	Insurance & Risk Management Officer

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: -

Role	Responsibilities
The Cabinet	<ul style="list-style-type: none"> ➤ Overseeing effective risk management across the Council ➤ Agreeing Fylde Borough Council's Risk Management Strategy ➤ Ensuring that risk management is delivered by the Chief Executive on behalf of the Cabinet ➤ Ensuring that a Strategic Risk Register, including details of actions taken to mitigate the risks identified, is established and regularly monitored ➤ Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually ➤ Appointing a Member with responsibility for Risk management within the cabinet
Members	<ul style="list-style-type: none"> ➤ Scrutinising the Cabinet's decisions to ensure that they meet the requirements of effective risk management ➤ Facilitating a risk management culture across the Council
Chief Executive & Corporate Management Team	<ul style="list-style-type: none"> ➤ Leading risk management across the Council, with the Chief Executive as the designated CMT lead on Risk ➤ Advising members on effective risk management and ensuring that they receive regular monitoring reports ➤ Recommending a Risk Management Strategy to Members ➤ Identifying and managing the business risks and opportunities facing the Council ➤ Co-ordinating risk management across the Council ➤ Being responsible for ensuring that the Council fully complies with all corporate governance requirements, including the Annual Statement of Internal Control

Role	Responsibilities
Executive Managers	<p>Executive Managers will demonstrate their commitment to risk management through: -</p> <ul style="list-style-type: none"> ➤ Ensuring that risk management within their Business Unit is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management ➤ Appoint a risk champion who is authorised to progress effective risk management throughout their business unit that adheres to corporate guidelines ➤ Identifying and managing risks within their Business Unit and ensuring that mitigation actions are regularly reported. ➤ Identifying, analysing, prioritising, and action planning risks arising from their business area ➤ Balancing an acceptable level of operational risk against programme and project objectives and business opportunity ➤ Reporting systematically and promptly to the Corporate Management Team any perceived new risk or failures of existing control measures ➤ Attending the Strategic Risk Management Group
Risk Champions	<ul style="list-style-type: none"> ➤ Acting as the main contact for their Business Unit on risk matters, and ensuring that corporate information and requirements are communicated to the business unit ➤ Progressing across their Business Unit effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met ➤ Representing their Business Unit at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Executive Manager ➤ Provide the Operational Risk Management Group with reports on the status of their Units Risk Register and progress made on implementing the unit risk action plan. ➤ Providing support on risk management to Executive Managers and middle managers within their business unit. ➤ Promoting the benefits of risk management across the Business Unit ➤ Maintaining, on behalf of business units managers, a Unit Risk Register that complies with corporate guidelines

Role	Responsibilities
Middle Managers	<ul style="list-style-type: none"> ➤ Communicating to staff the corporate approach to risk management ➤ Identifying the risk management training needed by staff, and reporting this to the Unit Risk Champion ➤ Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required ➤
Staff	<ul style="list-style-type: none"> ➤ Understanding their accountability for individual risks ➤ Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls
Internal Audit	<ul style="list-style-type: none"> ➤ Auditing the key elements of the Council's Risk Management Process ➤ Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan ➤ Ensuring that internal controls are robust and operating correctly
Risk Management Groups	<p>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:</p> <ul style="list-style-type: none"> ➤ 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 individual business units. ➤ Receive reports from the Risk Management Officer and Unit Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.

Role	Responsibilities
Risk Management Groups	<ul style="list-style-type: none"> ➤ 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 <p>The terms of reference for the risk management group is attached at appendix B</p>
Insurance, Risk Management & Business Continuity Officer	<ul style="list-style-type: none"> ➤ Provide advice and guidance on insurable risks ➤ Provide strategic direction on the Council's approach to risk management ➤ Ensure effective liaison between risk areas (see table on page 6) ➤ Co-ordinating the Council's approach to risk management ➤ Provide advice to the Council on risks arising from partnership working, and possible mitigation actions such as use of Service Level Agreements ➤ Report on the status of the Council's Corporate Risk Register and the implementation of the associated action plans

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 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 to the Audit Committee outlining the effectiveness of the strategic and operational risk management actions undertaken as part of the Corporate and individual Unit Risk Registers. The ultimate measure of effective risk management is that the Council:

- has resilience to deliver its services and core objectives
- is protected from the possibility of being impacted by an unforeseen risk
- is protected from the possibility of a foreseen risk having significantly greater impact than anticipated
- is able to take cost-effective measures to reduce or eliminate the effects of negative risk
- is able to identify, and take maximum advantage of, the occurrence of positive risk.

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.
- The Strategic Risk Management Group manages Corporate risks which affect the Council’s ability to fulfil its Corporate Objectives and is concerned with major Business risk.
- The Operational Risk Management Group will manage Operational risks which affect the Council’s ability to run its day to day services.

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.



FYLDE BOROUGH COUNCIL



Risk Register 2008-2009 Action Plan

June 2008

Political Relationships	Description: The relationship between the Administration / Opposition and Officers
Council Objective	Quality Services

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Scrutiny Action Plans	Arrange training/guidance or Learning Hour on Standing Orders & Procedure Rules.	Executive Manager D & M S	Learning Hour held with 50% Member attendance	One off	Dec. 08
Member Development Steering Group	Agree an IDeA proposal which includes Member peer support for opposition and administration Members.	Ch Ex.	IDeA Proposal agreed with Members	One off	July 08
Role Descriptions	Review cabinet procedure rules – Questions from Members, scrutiny/cabinet relationship	Head of Legal Services	Report presented to Cabinet	One off	Sept 08
Group Leader Meetings	Develop and agree a procedure for shadow briefings.	Ch Ex.	Arrangements agreed through Management Team & Group Leader's Meetings	One off	June 08
Leader of the Opposition	Deliver one-to-one guidance sessions for the new Mayor on Procedure Rules.	Executive Manager D & M S	Meeting held with Mayor & Deputy	One off	June 08
Shadow Spokespersons	Deliver joint workshop sessions for Portfolio Holders and Committee chairs/vice	Executive Manager D & M S	Two workshops scheduled per year	6 monthly	Sept 08
District / Parish Liaison Meetings	Review role and performance of Member Champions	Executive Manager D & M S	Review report considered by PISC and Cabinet	Annually	Dec 08
Standards Committee					
Brief Encounters					
Cabinet / MT Workshops – Quarterly					
Member Buddy Scheme					
Members' Newsletter					

CPA Re Categorisation	Description: Cabinet has passed a resolution to seek CPA Re Categorisation prior to the change in regime to CAA
Council Objective	Quality Services

Action/controls already in place	Required management action/control	Lead Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Resolution to seek re categorisation	Generate awareness and understanding of the CPA process throughout the organisation.	Exec Manager – C & C S	CPA feature posted in all editions of Grapevine & on intranet	Updated monthly	Begin Jun 08 Review in Nov 08
Investigated Peer Review	Prepare and submit application for CPA reassessment and undertake self-assessment	Exec Manager – D & M S	Re-categorisation proposal submitted by deadline.	One off	1 st Jun 08
Identified timetable	Establish links with neighbouring District that has recent experience of CPA reassessment.	Ch Ex.	Mgmt Team & Middle Manager mentor relationships identified with neighbouring council.	Every 6 months	Jun 08
	Obtain informal input from Audit Commission on CPA reassessment.	Ch Ex.	Initiate dialogue with current A C Relationship Manager.	One off	Apr 08
	Ensure the 2008/09 Corporate Plan reflects the intention to seek CPA re categorisation.	Exec Manager – P & P	Relevant action contained in Corp. Plan	One off	Jun 08

Corporate Priorities	Description: The links between Corporate priorities / objectives and the budget are not always clear
Council Objective	All Corporate Objectives

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Redefinition of CP's in progress	Link high level priorities to operational actions	Service Managers	Service plans link priorities and actions and are monitored	Annual	Sept 2008
Printed on all agendas	Corporate objectives – Corporate Priorities are they the same?	Allan Oldfield	Clarity of difference outlined in Corporate Plan revision	None	May 2008
Golden thread / framework	Services – good, top quartile, award winning – identify what level of service is needed and what priority they fall in	Alex Scrivens	VFM profiles & performance data produced and published for all services	None	June 2008
Corporate Plan	Scrutiny review of FBC service priority	Scrutiny Committee	Completed review, reported and recommendations	None	Jan 2008 Completed
	Budget links to be identified	Service Managers	Service plan links and monitoring	Annual	Sept 2008
	Communication issues to differentiate between Priorities & Objectives	Allan Oldfield	Clarity of difference on web pages and Corporate Plan	None	June 2008
	Review statutory & discretionary services across the authority	Allan Oldfield	Completed review reported to scrutiny cttee	None	Sept 2008

Shared Services	Description: The Council has entered into a number of Shared Services with neighbouring Authorities and further collaboration is being looked at
Council Objective	Quality Services

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
HR Contract – robust SLA	Communicate to staff a Strategic approach to services (i.e. enabler/provider)	Leader/CEO	<ul style="list-style-type: none"> Meeting with middle managers. Grapevine article. 	One - off	July 08
Good Reputation for shared services across Lancs and NW	Communicate benefits from what we have already done for staff as well as Council	Leader/CEO	<ul style="list-style-type: none"> Meeting with middle managers. Grapevine article 	One - off	July 08
LSP	Communicate what the MAA is.	Leader/CEO	<ul style="list-style-type: none"> Meeting with middle managers. Grapevine article. 	One - off	July 08
SLA for H&S providing better capacity & framework for delivery	Ensure that business cases are robust	DCEO	Monitoring and Sc. 151 Officers represented on all shared services project teams	Annual	Ongoing
Communications/Blackpool – service standards	Ensure SLAs are robust	DCEO	Monitoring and Sc. 151 Officers represented on all shared services project teams	Annual	Ongoing
Preston Council – step change in service delivery	Corporate risk of critical mass of shared services to be assessed at PPPP Stage 2.	DCEO	All PPPP Stage 2 proposals to be risk assessed by MT	Annual	Ongoing
Waste Contract	Create capacity to deliver shared services agenda	DCEO	Explore possibility of external funding for project manager.	One - off	March 2009
Parking Management contract	Preston dealing with Bens/Revs – need legal input	Head of Legal Services	HLS to liaise with Finance to risk assess proposed SLA	One - off	April 2008
Statement of intent B'pool Wyre Fylde					
Joint structures – Wyre					
Public/Public Partnership Pathway (PPPP) adopted					
MAA – strategic alignment					
Co-operation with other LA's					

Joint policy development						
Lancashire Locals Joint Cttee						
Formal Partnerships – protocols/policies in place						

Accommodation	Description: The Council is in the process are procuring new accommodation for its corporate and office needs
Council Objective	Quality Services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Clear Council resolution		Agree site disposal strategy	Exec Man SP&D/ Project board	Strategy agreed	One off	Jun 2008
Draft RIBA Stage D Report in place		Report to Council and project review considered	CEO/ Exec Man SP&D	Strategy implemented	One off	Sept 2008
Identified funding mechanism		Advance to RIBA Stage E	Turner and Townsend	RIBA stage E completed	One off	Jan 2009
Former CVMU disposal site – successful planning application		Staff & member communication plan	Exec Man SP&D/ Project board	Plan in place and followed	Bi-monthly from June on-wards	July 2008
		Decanting Plan	Exec Man SP&D/ Project board	Plan agreed	One off	December 2008

Staffing	Description: Staffing issues
Council Objective	Quality Services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
JE		Embedding Employment Policies	Service Managers	Number of breaches of policy	Annual	March 09 to test using survey
Extensive policy review by Blackpool Council HR		Review appraisal documentation	Allan Oldfield	New appraisals in place and being used	Annual	May 2008
Staff Appraisal system		Review who should be appraised	Allan Oldfield	Agreed appraisal list by type of appraisal	Annual	June 2008
		Utilise HR resources at B'pool to address sickness	Allan Oldfield	New procedures, policy and practices in place & reduced sickness and absence	Annual	May 2008 & March 2009 for measure
		Staff Survey	Blackpool HR Service	Completion and reporting of survey with actions for improvement	Annual	Jan 2009
		Implement moving to excellence report	Management Team	New structure, new service focus, new measures	Annual	Jan 2009

Budget Monitoring & Control	Description: Review arrangement to ensure proper Budget monitoring & control is in place
Council Objective	Quality Services

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Robust interim arrangement	Training for staff on Civica				
Balanced budget	Put in place longer term financial management				
Medium term financial strategy in place	Put in place better financial controls				
Knowledge of overall financial position	Budget monitoring arrangement				
Civica system in place – accountants trained	Close accounts to timetable (Fin Reporting)				
	½ Yearly reports to members				
	Budget compliance & accountability				
	Amend financial regulations				

Organisational Relationships & Communications	Description: Review the Organisational Relationships and Communication
Council Objective	Quality Services

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
MT Minutes on Intranet	Compliance with Team Brief Procedures	P Norris	Team Brief held in every Dept	6 months	Jul 08
Team Briefs	Define & Review POG/MMG Membership criteria & role	C Holland	Criteria/roles defined	Annual	Oct 08
Middle Managers Group	Re-energise management team bullet points	P Norris	Bullet points regularly contributed	Annual	Jul 08
Moving to Excellence Report – Review of Managerial Structures & engaging with middle managers	Follow up from MM training	C Holland	Training programme published	Annual	Oct 08
Intranet development/ Grapevine	Formal communications mechanism to and from CMT and Middle Managers	C Holland	Minutes included on agenda	Annual	Oct 08
Members Newsletter					
Corporate Governance Group					
Job Evaluation					

Project Management	Description: Review the Council's Project Management arrangements
Council Objective	Quality Services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Project Management protocol in place		Review protocol and revise procedures to include the following:	ADJ/PN/JD	Review completed and revised protocols developed. Approved by MT.	Annually	March 2009
Project Management training		<ul style="list-style-type: none"> Pre project strategic risk assessment 				
Appointed PM monitor		<ul style="list-style-type: none"> Corporate Risk control of projects 				
Regular PM updates at MT		<ul style="list-style-type: none"> Introduce professional scrutiny to PM protocol Section 151/Monitoring Officer 				
		<ul style="list-style-type: none"> Ongoing financial / legal progress reports to MT 				
		Embed revised protocol	ADJ	All projects included in Corporate Plan and Service Plans and risks assessed.	Annually	March 2009

Consultation/Complaints	Description: A review of the Council's Consultation and Complaints procedures
Council Objective	Quality Services

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Listening Day, Citizen's Panel, State of the Borough, Report it Sort it	Middle Managers Group Consultation role	C Holland	MMs consulted on Corporate Plan	Annual	Sept 08
Satisfaction Surveys	Revise listening day – (new Places Survey)	A Oldfield	Customer Satisfaction PIs Comms Group	Quarterly	Aug 08
Customer Contacts Policy	Training – What is a complaint – definition – ombudsman & stage 2 complaints	P Norris	No. of complaints received	Quarterly	Jul 08
One stop customer contact centre	Review of consultation	A Oldfield	Customer Satisfaction PIs Comms Group	Annual	Nov 08
Online comments / Polls					
District/parish liaison					
New Ombudsman complaints Admin					
Statement of Community involvement					

Embedding Health & Safety	Description: Embedding the Councils H&S Policies
Council Objective	Quality Services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Bought into team of 13 H&S professional experts		Events management – corporate arrangements	AW	Arrangements established	Annual review	October 08
New policies introduced/ more to come		Embed H&S – Communications	TS	Visits to different team briefs to promote arrangements, embedding of policies, health and safety training	Annually	Commenced March 08 On-going (no end date)
			TS	Meetings with health and safety representatives from the unions to promote safe working and arrangements	Six monthly	On-going (no end date)
			Executive Managers/Directors	Six monthly reports to be provided to the Operational Risk Management Group to provide assurance that health and safety procedures are being implemented within their departments	Six monthly	On-going – no end date

Agreed auditing framework on a targets risk basis		H&S in job descriptions – MT/Managers	Chief Executive	Ensure that responsibility for implementation of health and safety policies is explicit in new Director posts	Annual Appraisal	July 09
Operational RM Group – feeds into MT		Appropriate training given	Executive Managers/Corporate Directors TS	Each member of Management Team to ensure that employees within their departments are trained to an appropriate level in health and safety TS to make other managers aware of corporate training budget for health and safety via team brief	On going management responsibility Annually	On-going – no end date
Member Champion		Violence drill – risk assessment	Executive Manager for Community and Cultural Services (as responsible for Customer Services)	Risk assessment for violence drill completed with input from health and safety advisors (Blackpool Council)	Annual review	June 08

Improving relationship with HSE		Stress management	<p>Blackpool council introducing new health and safety arrangements on stress management as part of 2008/09 Business Plan</p> <p>When new procedure implemented, responsibility of Ex Managers/Dir to implement as part of Job Description</p>	New procedure in place		On going
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Risk Management	Description: Embedding risk management in operational management
Council Objective	Quality Services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Operational Risk Register		Create template for Unit Risk Registers including guidance and review with feedback	AW	Template revised and guidance notes produced	Annually	May 08
Operational Risk Management Group		Communicate H&S in ORMG	AW	Operational risk management group to meet six weekly		June 08
			AW	Quarterly reports from Health and Safety advisors taken to Operational Risk Management Group		On-going
		Revisit Member Champions attendance at meetings	TS	As above	As above	As above

Management Reorganisation	Description: The reorganisation of the Council's Corporate Management Team
Council Objective	Quality Services

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
"Moving to Excellence" Report	Potential disruption to the Council's services	CEO	Reorganisation implemented in accordance with published timetable.	Ongoing to Oct 08	Oct. 08
Rationale for change circulated	Communication with staff – morale	CEO	Monthly progress updates in Grapevine.	Monthly	Jun – Nov 08
Cabinet report approved	Appointments Panel – fairness and objectivity of the panel	HR Manager	Training provided for panel members.	July 08	July 08
	Budget efficiencies delivered	CEO	Year-end budget target achieved.	Year end	March 09
	New staff groupings to be located together	New Directors	New staff groupings all co-located.	Dec 08	Dec. 08
	Need to develop new service plans to recognise new reporting lines	New Directors	Service plans reviewed and revised.	Year end	March 09

Appointment of Section 151 Officer	Description: The procurement of Section 151 officer services by the Council
Council Objective	Quality Services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Options appraisal carried out		Ensuring procurement guidelines are adhered to.	Head of Legal Services	Legal advice confirms procurement method is satisfactory	One off	June 08
Interim arrangements in place		Securing "value for money" for the Council	CEO	Performance and cost standards agreed through SLA.	Annually	June 08
		SLA needs to reflect FBC requirements (not third party).	CEO	SLA terms agreed by Cabinet	One off	June 08
		"Remote provision" of service.	Section 151 Officer	Permanent "on-site" presence of senior manager secured.	One off	Sept 08
		Maintaining commercial & financial confidentiality	CEO	Controlled through SLA.	Annually	June 08
		Manage staff uncertainty	Section 151 Officer	Long-term service delivery arrangements agreed and in place	One off	June 08

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	17/06/08	8

STATEMENT ON INTERNAL CONTROL 2007/08

Public/Exempt item

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

Summary

The Audit Committee is charged with adopting the SIC and monitoring the progress in fulfilling the action plan. (This obligation has been superseded in 2008/09 with the arrangements for an Annual Governance Statement).

Recommendation/s

It is recommended that:

1. The Committee notes the latest position with regard to each of the issues currently included on the Statement on Internal Control 2007/08.

Executive Portfolio

The item falls within the following executive portfolio[s]:
Customer Services, Partnerships, Performance and Development (Councillor Albert Pounder)

Report

Background

1. The Statement on Internal Control (SIC) for the year ended 31 March 2008, together with its associated Action Plan, was adopted by the Committee at its meeting on 29 June

2007. The responsibility for keeping the SIC Action Plan under review falls to the Audit Committee.

Action Plan 2007/08

2. This report reveals the progress made to date in implementing the various actions to achieve improved internal control during 2007/08 and indicates areas where agreed actions have yet to be completed.

3. The 2007/08 Action Plan included 15 actions to secure improved internal control and governance. The present position as advised by responsible managers is as follows:

- Seven actions have been completed in full – numbers 1, 2, 3, 4, 8, 11, 12
- Two actions are substantially completed for the purposes of this action plan – numbers 7, 13

Of the remaining six actions:

- All have revised target dates – numbers 5, 6, 9, 10, 14, 15
- Three actions have seen progress being made towards the agreed action - numbers 5, 6, 15.
- One action now has a fresh approach to achieve the required outcome – number 9
- One action relies on the completion of another – number 10
- One action has a detailed plan for achieving the required outcome – number 14

4. Progress monitoring will continue and a follow up of the all the outstanding actions remaining will be undertaken once the revised implementation date has passed. If necessary, a further report will be prepared highlighting non-completion.

5. The Action Plan for 2007/08 is attached as an Appendix showing the responsible officers, up-to-date target dates for completion and the current status.

<u>Implications</u>	
Finance	The report contributes towards the production of the Annual Governance Statement which forms part of the Financial Statements of the Annual Accounts published each year by the Council.
Legal	None arising directly from this report
Community Safety	None arising directly from this report
Human Rights & Equalities	None arising directly from this report
Sustainability	None arising directly from this report
Health & Safety and Risk	Failure to implement the actions in the Action Plan will result in Corporate Risks not being fully managed

Management	
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Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	June 2008

List of Background Papers		
Name of document	Date	Where available for inspection
Meeting the requirements of the Accounts & Audit Regulations 2003	April 2004	All background papers or documents can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

Appendix 1:
INTERNAL CONTROL & CORPORATE GOVERNANCE
ACTION PLAN 2007 - 2008

Ref	Action	Source of Assurance	Responsible Officer	Target Completion Date	Status
1	Objectives reflected in business unit service plans are not: <ul style="list-style-type: none"> ♦ communicated to staff and to all stakeholders in the most effective manner ♦ clearly matched with associated budgets 	Make all business unit service plans available on the Council's intranet and website	All Executive Managers	July 07	Completed and on intranet
		Develop a clear linkage between the budget process and the service planning process within the Service Planning methodology	Allan Oldfield	July 07	Completed as part of the review of the Service Planning template in October 2007
2	The present Code of Corporate Governance does not accurately reflect current implementation practice and organisational responsibilities	Update the Council's Code of Corporate Governance and publish it on the website	Ian Curtis	<i>August 07</i> April 08 (Revised Date)	New Corporate Governance Code approved by Audit Committee 03/04/08.
3	The Performance Management framework does not reflect the revised corporate priorities and organisational responsibilities	Update the Performance Management framework to reflect the Council's revised corporate priorities and responsibilities	Allan Oldfield	August 07	Completed and reviewed objectives / priorities put before Cabinet.
4	Executive Managers' generic job descriptions do not reflect the following management responsibilities: <ul style="list-style-type: none"> ♦ Risk Management ♦ Internal Control 	Amend the Executive Manager's generic job description to include the following management responsibilities: <ul style="list-style-type: none"> ♦ Risk Management ♦ Internal Control 	Allan Oldfield	September 07	Completed June 07
5	A regular reconciliation of the cash balance on the general ledger account to the Council's bank account was not maintained throughout the financial year	Maintain a regular reconciliation of the cash balance on the general ledger account to the Council's bank account throughout the financial year	<i>Brian White</i> Bernard Hayes	<i>September 07</i> <i>March 08</i> July 08 (Revised Date)	The cash to bank reconciliation has been brought up to date and will be regularly maintained on a monthly basis from April 2008. This will be clearly evidenced by the revised target date.

Appendix 1:
INTERNAL CONTROL & CORPORATE GOVERNANCE
ACTION PLAN 2007 - 2008

Ref	Action	Source of Assurance	Responsible Officer	Target Completion Date	Status
6	Procedure notes and manuals for key systems are not routinely reviewed and updated to reflect prevailing practice and controls	Embed the process of updating and maintaining procedure notes and manuals for key systems to incorporate details of prevailing practice and internal controls	Brian White Bernard Hayes	January 08 June 08 July 08 (Revised Date)	Progress in updating financial system procedure notes in all areas except treasury management, which is currently under way.
			Clare Platt	January 08	Housing Grants procedure notes developed
			Allan Oldfield		HR and Payroll included as part of SLA agreements
7	Fully developed workforce and succession plans are not in place	Develop corporate workforce and succession plans for key service areas	Allan Oldfield	March 08	Included as part of HR SLA and is in the Development Plan for 2008/09. It is envisaged the work will take two years to complete fully. Further more specific actions will be included in future development plans under the SLA.
8	A comprehensive disaster recovery plan for IT is not in place	Develop a comprehensive disaster recovery plan for IT	Allan Oldfield	March 08	Completed with joint system back ups to Wyre, Blackpool and LCC

Appendix 1:
INTERNAL CONTROL & CORPORATE GOVERNANCE
ACTION PLAN 2007 - 2008

Ref	Action	Source of Assurance	Responsible Officer	Target Completion Date	Status
9	Arrangements for the central recording of complaints as agreed by members are in development	Establish and maintain a central record of complaints across the authority, to include evidence of corrective action taken in response to such complaints	Paul Norris	<i>April 07</i> September 08 (Revised Date)	A central record was set up. However, it proved impractical to establish comprehensive data collection because Stage 1 complaints are received across the whole organisation. A report to Management Team proposed the recording of complaints centrally at Stage 2 only, as these are all channelled through Executive Managers. This was endorsed and a report will be presented to Cabinet accordingly.
10	Report to members on a regular basis with a summary of complaints received and addressed, including an analysis of the outcomes	Report to members on a regular basis with a summary of complaints received and addressed, including an analysis of the outcomes	Paul Norris	<i>July 07</i> November 08 (Revised Date)	Reports to members summarising details of Stage 2 complaints recorded will follow the implementation of Action 9 above.
11	Arrangements whereby line managers undertake regular health & safety audits throughout the Council to identify and address potential problems have not yet commenced	Ensure arrangements are put into effect for regular health & safety audits throughout the Council to identify and address potential problems	Tracy Scholes	March 08	Rolling programme of auditing of health and safety risk assessments being undertaken by Blackpool Council in conjunction with Fylde managers
12	Service Level Agreements or contracts with external providers for managing the Council Tax, Business Rates, Housing Benefits and Payroll IT systems have not been agreed	Ensure Service Level Agreements or specific contractual commitments are in place for all services currently provided externally and in future for any subsequently outsourced services	Brian White Allan Oldfield	September 07	Completed. New SLAs in place

Appendix 1:
INTERNAL CONTROL & CORPORATE GOVERNANCE
ACTION PLAN 2007 - 2008

Ref	Action	Source of Assurance	Responsible Officer	Target Completion Date	Status
13	The need for ethics training for members and staff has not been fully addressed by current arrangements	Provide ethics training for both members and staff	Ian Curtis	<i>December 07</i>	Ethics training events for members provided and guidance for staff via intranet and website. Continuing staff training both online and through the team briefing process is planned.
14	Short term cash investments were placed with limited supervisory checks to monitor the validity of the decision and authorise the investment	Develop procedures to ensure sufficient segregation of duties and supervisory checks in relation to short term cash investments	<i>Brian White</i> Bernard Hayes	<i>September 07</i> <i>March 08</i> July 08 (Revised Date)	A new action plan has been agreed which should deliver the required actions by the end of July.
15	Operational difficulties within the accountancy service resulted in: <ul style="list-style-type: none"> ♦ inability to meet the statutory timetable for closure of the accounts ♦ lack of audit assurance in relation to the new accounting IT system ♦ irregular provision of financial information to managers 	Ensure resources and arrangements within the accountancy service are appropriate to permit: <ul style="list-style-type: none"> ♦ the closure of the Council's accounts in accordance with the statutory timetable ♦ active collaboration with the audit of the main accounting IT system ♦ production of monthly management accounts 	<i>Brian White</i> Bernard Hayes	<i>September 07</i> September 08 (Revised Date)	The temporary agreement with Preston City Council in place for management of the accountancy service has resulted in significant improvements. It is envisaged that this arrangement will provide the basis for a long term solution. Formal proposals will be considered by the Cabinet later in June. Sources of assurance should be evident by the end of September.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	17/06/08	9

INTERNAL AUDIT ANNUAL REPORT 2007-08

Public 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 2007 to March 2008 and performance information for the same period. It includes an opinion on the soundness of the Council's internal control environment.

The report links principally with the Corporate Priority – "To deliver ... high quality local services".

Recommendation/s

1. That the committee approves the Internal Audit Annual Report and makes any necessary and appropriate recommendations.

Executive Portfolio

The item falls within the following Cabinet portfolios:

Finance & Efficiency (Councillor Paul Rigby)

Customer Services, Partnerships, Performance and Development (Councillor Albert Pounder)

Report

1 Introduction

1.1 This Annual Report provides an opinion on the adequacy and effectiveness of internal 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. It also takes account of appropriate assurances obtained from other relevant internal and external sources.

1.2 The report also summarises the activities of internal audit for the financial year 2007-08 to provide managers and members with the opportunity to review the service provided to the Council.

1.3 From November 2007 Internal Audit ceased to have any direct day-to-day line management but remained nominally within the Finance Business Unit and was answerable to the Acting Section 151 Officer for audit matters.

1.4 Internal Audit contributes to meeting the corporate priority of delivering high quality local 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 Annual Audit Plan 2007-08

2.1 A risk assessed annual audit plan was prepared for 2007-08 based on the resources available at the time. The plan was agreed by the Management Team and received approval from the Audit Committee. The total number of days in the original audit plan was 742, not including non-audit work.

2.2 An amended plan was approved subsequently by the Audit Committee, which reduced the number of days to 658 to take account of the time lag in appointing a replacement team member to fill a vacancy and to allow for the absence of two team members taking parental leave. In the event the outturn figure was 665 days. 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	192	29.2	182	27.4
Other systems audit	43	6.5	25	3.8
Non-Financial audit	17	2.6	17	2.5
Establishment audit	15	2.3	15	2.2
Corporate Governance	34	5.2	24	3.6
Performance Management	27	4.1	27	4.1
Computer audit	11	1.7	12	1.8
Anti-fraud audit	29	4.4	24	3.6
Other audit	20	3.0	22	3.3
Slippage from 2006-07	25	3.8	27	4.1
Reactive audit	70	10.6	95	14.3
Consultancy & Advice	42	6.4	52	7.8
Management & Admin	133	20.2	143	21.5
Total	658	100%	665	100%

2.3 There were three main areas where actual days totalled less than planned - main systems, other financial systems and corporate governance. On main systems we were unable to undertake a review of main accounting, while 7 days work slipped into 2008-09. Our work on other systems

showed time savings in some areas and also slipped by 7 days into the next financial year. With regard to corporate governance the main saving was achieved in the Use of Resources work undertaken by the audit team. This was because the effort in 2006-07 to achieve level 3 was not required to consolidate the position in 2007-08.

2.4 These reductions together with other savings were used to address an increased reactive audit requirement and to provide additional consultancy & advice services. Additional time was also spent on management and administration caused principally by an increase in days required for committee reporting. For example, there were 3 committee closing dates in the last quarter of the year, which had not been envisaged.

2.5 With these changes the analysis of outturn days shows that rather more time was spent on reactive audit work and less on planned activities.

2.6 The non-audit duties of the team reduced to the lowest ever figure of 54 days compared with 77 days in 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 matters that will remain. Indeed a slight increase is anticipated for future years when departmental involvement resumes. Table Two shows the actual outturns for both 2006-07 and 2007-08.

Table Two: Non-audit work

Non-audit activity	Actual days 2006-07	Actual days 2007-08
Controlled stationery	16	13
Corporate groups, initiatives, meetings	44	30
Insurance	0	1
Risk Management	7	5
Business Unit Matters	8	1
Other non-audit	1	0
Reactive non-audit	1	4
Total	77	54

2.7 The percentage of the 2007-08 revised audit plan completed to 31 March was 90%, allowing for authorised amendments and approved extensions of time. This equals the target for the year. However, taking into account the completion of ongoing audit work in 2008/09 the annual rate now stands at 94% and is estimated ultimately to reach 95%.

3 Reports Issued

3.1 In the financial year 2007-08 twenty two (22) reports have been issued. All have been presented to management and except in one case action plans are now in place. One report is still at the draft stage. 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
BVPI 2006-07	Corporate Policy & Performance Manager
Payroll Exceptions	Corporate Policy & Performance Manager
Sundry Debtors 2006-07	Finance Manager
Treasury Management 2006-07	Finance Manager

Vehicles & Plant	Streetscene Manager
Swimming Pools	Community & Cultural Services Manager
Council Tax	Finance Manager
Business Rates	Finance Manager
Stocks & Stores - Lowther Pavilion Bar	Community & Cultural Services Manager
Stocks & Stores - CVMU	Streetscene Manager
Stocks & Stores - Refuse Bins & Sacks	Streetscene Manager
Cash Collection - Central	Finance Manager
Cash Collection – Remote	Various
Interests, Gifts & Hospitality	Legal Services Manager
Housing/Council Tax Benefits	Finance Manager
Car Parking Income	Streetscene Manager
Creditors	Finance Manager
Car Allowances & Expenses	Corporate Policy & Performance Manager
Sundry Debtors	Finance Manager
Purchasing Cards	Various
Land Transactions ¹	Chief Executive/ Strategic Planning Manager
Treasury Management	Finance Manager
Election Payments ²	Democratic Services Manager

¹ Report Agreed Awaiting Sign-off

² Draft Stage Only

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
BVPI 2006-07	-	9	2	-
Payroll Exceptions	2	5	7	-
Sundry Debtors 2006-07*	-	7	4	3.5
Treasury Management 2006-07*	2	5	13	2.7
Vehicles & Plant	-	7	4	3.1
Swimming Pools	2	9	2	1.9
Council Tax*	1	2	1	4.3
Business Rates*	1	1	1	4.3

Stocks & Stores - Lowther Pavilion Bar	-	3	2	3.3
Stocks & Stores - CVMU	1	7	-	2.5
Stocks & Stores - Refuse Bins & Sacks	-	5	3	2.9
Cash Collection – Central*	-	3	6	3.5
Cash Collection – Remote	-	6	9	3.5
Interests, Gifts & Hospitality	-	8	5	3.0
Housing/Council Tax Benefits*	-	1	1	4.8
Car Parking Income	-	8	7	2.8
Creditors*	1	6	1	2.9
Car Allowances & Expenses	-	7	4	3.5
Sundry Debtors*	-	3	2	3.9
Purchasing Cards	9	-	-	-
IT – Civica System ³	-	7	7	-
Land Transactions ¹	3	1	-	-
Treasury Management*	2	4	8	2.8
Election Payments ²	-	5	2	3.3
Total	24	119	91	3.4

*Main Financial System

¹ Report Agreed Awaiting Sign-off

² Draft Stage Only

³ Review undertaken by LCC IT Audit Service

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

Table Five: Assurance Ratings

Audit Area	2004/05	2005/06	2006/07	2007/08
All Reviews Average	2.9	3.2	3.4	3.4
Main Financial Systems:	3.4	3.5	3.4	3.8
<i>Business Rates</i>	4.7	4.4	4.2	4.3
<i>Cash Collection</i>	-	3.7	3.0	3.5
<i>Council Tax</i>	4.5	4.6	3.8	4.3
<i>Creditors</i>	2.8	3.0	3.2	2.9
<i>Housing Benefits</i>	4.8	4.9	4.5	4.8
<i>Main Accounting</i>	2.5	2.3	*	*
<i>Payroll</i>	2.5	2.5	2.5	◇
<i>Sundry Debtors</i>	2.0	2.9	3.1	3.9
<i>Treasury Management</i>	-	3.3	2.7	2.8

* Not Undertaken

◇ In progress

¹ Draft Assurance

4.5 For those systems reviewed in 2007/2008 the average assurance score was 3.4 on the scale of 1 to 5, the same as the previous year. Main financial systems had an average score of 3.8, somewhat above the general average and reflecting a valuable year-on-year improvement. The audit of payroll, one of the main financial systems is still ongoing. The anticipated rating for this service would still result in an improvement in the average score, although slightly lower than indicated in Table Five.

4.6 From the work undertaken and the average assurance score of 3.4 it can be affirmed that the overall internal control framework is adequate although some controls in the systems reviewed are not operating effectively.

4.7 However, this comment must be tempered by the fact that no assurance could be given for the main accounting system adopted in November 2006, which could not be reviewed for the second year as a result of enduring operational and logistical difficulties within the Accountancy team. As reported last year we are not anticipating serious problems with the new system, which operates successfully elsewhere, but this situation is not considered to be satisfactory and we will seek to obtain assurance at the earliest opportunity.

4.8 In addition, there were a number of important internal control weaknesses brought to the attention of the Section 151 Officer during the year as follows:

- ♦ Failure to successfully complete a comprehensive bank reconciliation during the financial year
- ♦ Failure to agree a Service Level Agreement with external providers for managing the Council Tax and Business Rates systems
- ♦ Weaknesses in the arrangements for the purchasing card scheme exposed the Council to unnecessary financial risk
- ♦ Lack of supervisory checks in relation to creditor payments
- ♦ Lack of supervisory checks in relation to short term cash investments
- ♦ The operational framework for project management was not properly embedded
- ♦ No specific arrangements within Council procedures relate to land transactions (including buildings)

4.9 The issue in relation to regular bank reconciliations is being actively addressed and a balance has been achieved as part of the annual close-down of accounts. The firm intention of management is to maintain a monthly reconciliation thereafter.

4.10 The Service Level Agreements with external providers will ultimately be addressed as part of the partnership working plans for the Revenues & Benefits service. A dedicated officer has been specifically tasked with bringing this long-outstanding matter to a conclusion.

4.11 The purchasing card scheme was suspended following our report and remains in abeyance with all cards withdrawn. Meanwhile, arrangements for improved controls and a more robust administration of the scheme have been agreed with management.

4.12 Similarly action plans in relation to supervisory checks are in place for both creditor payments and investments. For the latter an improved separation of duties will be introduced to enhance internal control.

4.13 A draft action plan has also been agreed to address the issues in relation to arrangements for project management and land transactions. The project management issue has also been highlighted by the strategic risk management process and a complementary action plan will also be monitored corporately.

5 Follow-up Work

5.1 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Twenty three (23) follow-up reviews have been completed during the year. Table Six shows the total number and percentage of agreed recommendations that were implemented by managers.

Table Six: Agreed Recommendations Implemented

	Total Agreed	Number Implemented	% Implemented
Annual Leave 05-06	5	5	100%
Purchasing Cards 05-06	9	3	33%
IT (Pericles System)	13	6	46%
BVPI Process 06-07	11	11	100%
Business Rates	7	6	86%
Council Tax	7	6	86%
Housing/Council Tax Benefits	3	2	67%
Housing Grants	16	16	100%
Payroll	16	14	88%
Licensing	10	10	100%
Risk Management	11	11	100%
Office Security	11	10	91%
Recruitment	16	16	100%
Prevention of Fraud - Survey	4	4	100%
Treasury Management	19	7	37%
Petty Cash	8	8	100%
Creditors	7	5	71%
Mobile Phones	20	19	95%
Payroll Exceptions	14	14	100%
Sundry Debtors	5	5	100%
Vehicles & Plant	14	9	64%
Cash Collection - Central	5	5	100%
Cash Collection - Remote	5	3	60%
Total	236	195	83%

5.2 The overall implementation rate of 83% for 2007/08 is the highest level achieved since this figure was first monitored and a significant improvement over the previous year. At this time in 2006/07 the rate stood at just 63%, although it has now reached 77%. This followed a committee resolution and robust internal audit effort to encourage managers to put in place outstanding high and medium priority recommendations.

5.3 The high rate of implementation in 2007/08 demonstrates the impact of the Audit Committee in securing improved management action in response to audit reports.

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

Table Seven: High & Medium Recommendations Implemented

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
Annual Leave 05-06	-	-	5	-	100%
Purchasing Cards 05-06	-	-	1	3	25%
IT (Pericles System)	2	1	2	6	36%
BVPI Process 06-07	-	-	9	-	100%
Business Rates	-	1	1	-	50%
Council Tax	-	1	2	-	67%

Housing/Council Tax Benefits	-	1	-	-	0%
Housing Grants	1	-	6	-	100%
Payroll	1	-	8	1	90%
Licensing	-	-	6	-	100%
Risk Management	-	-	5	-	100%
Office Security	-	-	10	1	91%
Recruitment	-	-	7	-	100%
Prevention of Fraud - Survey	-	-	-	-	-
Treasury Management	-	2	3	1	50%
Petty Cash	-	-	1	-	100%
Creditors	-	1	4	1	67%
Mobile Phones	-	-	10	-	100%
Payroll Exceptions	2	-	5	-	100%
Sundry Debtors	-	-	3	-	100%
Vehicles & Plant	-	-	5	3	63%
Cash Collection - Central	-	-	3	-	100%
Cash Collection - Remote	1	-	-	2	33%
Total	7	7	96	18	81%

5.5 The percentage of high and medium priority recommendations implemented in 2007-08 was 81%, which is marginally lower than the overall rate. The classification of recommendations as 'high', 'medium' or 'low' priority indicates where resources might best be applied. The above table indicates that managers are equally likely to implement a recommendation regardless of its allocated priority. This suggests a non-systematic approach to implementation and a tendency not to focus on the most significant issues.

6 Special Investigations

6.1 During the year the audit team undertook eight special investigations into allegations of fraud and corruption. Two of these were the result of information provided by whistleblowers. In four cases the investigation resulted in disciplinary action against the employee concerned, although two of these were heard *'in absentia'*. Table Eight summarises the results of the various special investigations during 2007-08 compared with the previous year.

Table Eight: Results of Special Investigations

Outcome	Number 2006-07	Number 2007-08
Disciplinary action	1	4
Employee Resigned prior to conclusion	-	1
No evidence to support allegation	2	1
Inconclusive evidence	2	1
Investigation aborted	-	1
Police investigation, inconclusive	2	-
Standards Board referral, no action	1	-
Total	8	8

6.2 In addition to special investigations, internal audit has undertaken the following work in the area of fraud, which is not an exhaustive list:

- assisted with an ongoing external investigation

- delivered an anti-fraud briefing to senior departmental managers
- developed a best practice counter fraud & corruption checklist
- revised and re-launched the Council's Anti-fraud & corruption policy and strategy
- revised and re-launched the Council's Whistleblowing policy
- investigated a range of issues arising from formal investigations and made recommendations for improvement
- prepared articles for Grapevine highlighting 'zero tolerance' to fraud approach and publicising particular cases

6.3 Altogether some 95 days were taken up dealing with special investigations and other reactive fraud work during 2007-8. This compares with a total of 21 days spent on fraud in 2006-07 and 18 days in 2005-06. Clearly the amount of fraud work required is not predictable and its impact on the achievement of the audit plan in 2007/08 was considerable.

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 in 2007-08 was 30 days, compared to last year's 31 days – a slight improvement. No reviews exceeded the maximum 55-day target time.

8 Stakeholder Feedback

8.1 Client questionnaires are issued to all managers with the final report to establish the effectiveness of the review. All the managers who responded felt that a good or excellent performance had been achieved in respect of planning the audit, the quality of the report and recommendations made, the timing of the review, the standard of communication and the professionalism of the auditors. Managers also confirmed that the implementation of the recommendations made would lead to improvements in performance. The overall satisfaction rate was 92% the highest score achieved by the team.

8.2 The Audit Commission relies on the work of internal audit to review the system of internal control. Their latest review in 2007 commented:

"During the year we undertook a review of Internal Audit. We have been able to gain assurance that the Internal Audit section at Fylde works with due professional care, that audit staff are adequately skilled, and that the work of the section is reported appropriately. We are therefore able to conclude that we can rely on the work undertaken by the section, and that it continues to provide an effective component of the Council's internal control environment."

9 Projects, Consultancy & Advice

9.1 This section summarises the range of services, beyond internal audit's assurance role. Such work is often requested by clients, rather than forming part of the risk-based audit function. Commonly, the work 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

9.2 In 2006-07 internal audit has undertaken project work, provided advice or acted in a consultancy capacity in the following areas, which is not an exhaustive list:

- ♦ Corporate Governance – as part of the new governance framework the Head of Internal Audit is a member of the Corporate Governance Group, which leads on the production of the Annual Governance Statement.
- ♦ Performance Management - performed a detailed verification of the information, data and calculations supporting the published BVPI figures in preparation for Audit Commission final review and approval. The input from Internal Audit resulted in a fully accurate publication of performance indicators.
- ♦ Strategic Risk Management – jointly-led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devised 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.
- ♦ 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.
- ♦ Streetscene Budget – assisted Deputy Chief Executive in the investigation of a projected budget overspend and the circumstances surrounding it.
- ♦ Vehicles 'Off the Road' – carried out a 'light touch' review of vehicles out of action for an extended period in relation to insurance and vehicle licence tax.
- ♦ Vending – analysed sales from the drinks vending machine that indicated low usage and high costs to the Council.
- ♦ Grounds Maintenance Contract – reviewed the tendering process applied to the procurement of grounds maintenance services to ensure the contract procedure rules and other Council regulations were properly followed and that the exercise was conducted with impartiality and probity.
- ♦ B&Q Trade Cards – investigated the arrangements for the acquisition and usage of these discount trade cards resulting in a proposed action plan. Subsequently management decided to close the Council's account and withdraw the facility.
- ♦ Payroll Exceptions – analysed and compared amounts of overtime throughout the Council and highlighted both high levels and exceptional cases to management
- ♦ Corporate induction – internal audit participated in corporate induction days presenting the session on 'whistleblowing' and 'anti-fraud policy'.

10 Internal Audit Assurance Statement

10.1 The Council maintains a system of internal control that is intended to support the achievement of corporate objectives. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives. It is therefore possible only to provide reasonable and not absolute assurance as to its effectiveness.

10.2 Internal Audit has reviewed the effectiveness of the Council's system of internal control for 2007/08 and has had regard to appropriate assurances obtained from other relevant internal and external sources. The opinion, based on this work, is that the Council's systems of internal control are generally sound and effective although the expected high standards of control have not been achieved in some areas of Council services.

10.3 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 a high proportion of recommendations have been implemented - most within agreed timescales.

10.4 However, internal audit work disclosed three particular weaknesses that may have a significant impact and which should be considered in compiling the Annual Governance Statement:

- ♦ Failure to agree suitable Service Level Agreements with external providers for managing the Council Tax, Business Rates and Housing Benefits systems
- ♦ Lack of supervisory checks in relation to short term cash investments

- ♦ Failure to properly embed project management procedures

Other key matters that require further development are:

- ♦ Inadequate arrangements for centralised recording of complaints and reporting to members
- ♦ Weakness in financial reporting and budget monitoring arrangements
- ♦ Need to embed risk management within operational services
- ♦ Inconsistent delivery of training and development plan including corporate staff induction and appraisal programmes

10.5 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 beyond those detailed in this report that could have a seriously adverse effect.

10.6 The overall opinion may be used by the Council in the preparation of the Annual Governance Statement.

Implications	
Finance	<p>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.</p> <p>The report also contributes towards the production of the Annual Governance Statement which forms part of the Financial Statements of the Annual Accounts published each year by the Council.</p>
Legal	None arising directly from this report
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability	None arising directly from this report
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Annual Internal Audit report arises from that work and is an important element of the assurance process for the effectiveness of the Council's systems of internal control.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	June 2008

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

Audit Plan 2007-08	March 2007	Internal Audit Office by arrangement
Audit reports & documents	Various	

REPORT

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF LEGAL SERVICES	AUDIT COMMITTEE	17 JUNE 2008	10

LOCAL CODE OF CORPORATE GOVERNANCE

Public item

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

Summary

The report updates members on the preparation of the Annual Governance Statement under the CIPFA/SOLACE framework for corporate governance.

Recommendation

1. Note the report

Cabinet portfolio

The item falls within the following cabinet portfolio:

Customer Services, Partnerships, Performance and Development: Councillor Albert Pounder

Report

1. At the last meeting of the committee on April 3, I presented a report introducing the CIPFA/SOLACE framework for corporate governance in councils, including a proposed local code of corporate governance. The committee agreed to “approve the local code of governance as a framework to work towards and seek an updated report at the next meeting of the committee”. This was because the committee considered that the late tabling of the report had not allowed members adequate time for consideration and to allow officers to incorporate appropriate suggestions from members of the committee.
2. No suggestions for amendment have been received. Work is progressing under the code as drawn to allow the Annual Governance Statement to be presented to the next

Continued....

meeting of the committee on June 30. The code is reproduced for members' information as an appendix to this report.

IMPLICATIONS	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2003.
Community Safety	None
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance make clear.

Report Author	Tel	Date	Doc ID
Ian Curtis	(01253) 658506	5 June 2008	

List of Background Papers		
Name of document	Date	Where available for inspection
Delivering Good Governance in Local Government: A Guidance Note for English Authorities	2007	Town Hall, St. Annes
Delivering Good Governance in Local Government: Framework	2007	Town Hall, St. Annes
Chorley Borough Council Code of Corporate Governance	2007	Town Hall, St. Annes

Attached Documents

Code of Corporate Governance



FYLDE BOROUGH COUNCIL

Code of Corporate Governance

Document Record

Release: Version 1
Date: April 3 2008
Author: Ian Curtis
Ownership: Legal Services Unit

Document History

This code replaces the previous Code of Corporate Governance.

Document Location

A copy of the policy is available on the Fylde Borough Council web site and intranet.

The original master copy is stored on the network drive belonging to the Head of Legal Services.

Revision History

Date of next revision: January 2010

Revision Date	Previous version number	Previous revision date	Summary of changes

Approvals

This policy requires the following approvals:

Audit Committee (obtained April 3 2008)

Distribution

This code requires each executive manager to review arrangements within his or her own unit for securing proper corporate governance and sign an assurance statement. Additionally, the Leader of the Council, Chief Executive, Section 151 Officer, Monitoring Officer and the Chairman of the Audit Committee are required to sign an Annual Governance Statement, a specimen of which is within the code and whose content will need to be informed by the assurance statement of each director.

1. BACKGROUND

- 1.1 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.
- 1.2 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'.
- 1.3 A sound system of corporate governance underpins the achievement of all of our strategic objectives and is a significant element of the Comprehensive Performance Assessment (CPA) and Use of Resources assessment regimes, which helps us compare our performance with other councils.
- 1.4 In June 2006 CIPFA and SOLACE issued a consultation draft document entitled "Good Governance in Local Government: A Framework", which urges councils to:
- develop and maintain an up-to-date local code of governance consistent with the core principles set out in the Framework, including arrangements for ensuring its ongoing application and effectiveness;
 - review their existing governance arrangements against this Framework;
 - prepare governance statements each year to report publicly on how they comply with their own codes including how effective their governance arrangements are, and on any planned changes.

- 1.5 This local Code of Corporate Governance shows how Fylde Borough Council will comply with the new CIPFA SOLACE Framework.

2. CORE PRINCIPLES

- 2.1 These six core principles are taken from the Good Governance Standard developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and have been adapted for local government purposes. Good governance means:
- 1 Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
 - 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - 3 Promoting the values of the authority and demonstrating the values of good governance through behaviour
 - 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - 5 Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively
 - 6 Engaging with local people and other stakeholders to ensure robust local public accountability.
- 2.2 Each core principle has supporting principles which reflect the dimensions of a local authority's business. The following paragraphs show how Fylde Borough Council will comply with those principles:

Core principle **1**

Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

Supporting principles

- exercising leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning
- ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

To comply with these principles, we will:

- make a clear statement of our purpose and vision and use it as basis for corporate and service planning and shaping the sustainable community strategy and local area agreement
- regularly review our vision for the borough and its impact on our governance arrangements
- publish an annual report to communicate our activities and achievements, our financial position and performance
- meaningfully and effectively review the quality of our services and reflect this information in the Corporate Plan and medium term financial strategy in order to ensure improvement
- meaningfully and effectively measure value for money and reflect this information in performance plans and generally in reviewing our work
- make effective arrangements to deal with failure in service delivery
- when working in partnership ensure that all partners agree a common vision of what the partnership is for. The vision should be:
 - supported by clear and measurable objectives with targets and indicators
 - the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.

Core principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting principles

- ensuring effective leadership throughout the authority by being clear about executive and non executive functions and of the roles and responsibilities of the Overview and Scrutiny function and of the Audit and Standards committees.
- ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard.
- ensuring relationships between the authority and the public are clear so that each know what to expect of the other.

To comply with the above principles, we will:

- clearly state the formal roles and responsibilities of the cabinet and of its individual members how these should work in practice

- clearly state the roles and responsibilities of front line councillors, members generally and senior officers
- develop protocols to ensure effective communication between councillors and officers in their respective roles
- develop protocols to ensure that the Leader and Chief Executive share an understanding of their roles and objectives
- set out the allowances payable to members in a scheme and have an effective mechanism for reviewing the scheme including an independent panel
- develop our vision, strategic plans, priorities and targets through robust mechanisms, and in consultation with the local community and other key stakeholders and communicate them in a way that people can understand
- when working in partnership:
 - ensure the legal status of the partnership is clear
 - agree the roles and responsibilities of the partners so that there is effective leadership and accountability
 - make sure that all involved know the extent to which representatives of organisations can commit those organisations
- effectively monitor service delivery
- maintain an up-to date scheme of delegated powers within the Constitution
- ensure that effective management arrangements are in place at the top of the organisation
- respect and facilitate the statutory roles of the head of paid service, the officer responsible for our financial affairs (section 151 officer) and the monitoring officer.

Core principle 3

Promoting the values of the authority and demonstrating the values of good governance through behaviour

Supporting Principles

- ensuring council members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance
- ensuring that organisational values are put into practice and are effective.

To comply with the above principles, we will:

- work to develop trust and shared values among and between councillors and staff

- try to build mutual understanding and respect between councillors of all political groups and none
- maintain formal codes of conduct defining acceptable standards of personal behaviour
- maintain an effective Standards Committee to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture.
- ensure that decisions made by members and employees of the authority are not influenced by prejudice, bias or conflicts of interest
- ensure that their procedures and operations conform with proper ethical standards, both on paper and in practice
- in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be 'alive' and demonstrated by partners' behaviour both individually and collectively.

Core principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting principles

- exercising leadership by being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- making sure that an effective risk management system is in place
- recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.

To comply with the above principles, we will:

- develop and maintain an effective Overview and Scrutiny function which encourages constructive challenge and enhances our performance overall
- give decision-makers the up-to date accurate and understandable material that they need to make robust evidence-based decisions and record the reasons for them

- make for whistle blowing arrangements to which staff and contractors have access
- put in place effective transparent and accessible arrangements for dealing with complaints
- develop and maintain an effective Audit Committee which is independent of the executive and overview and scrutiny functions or make other appropriate arrangements for the discharge of these functions.
- develop and maintain effective arrangements for deciding the pay of senior staff
- make sure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications
- embed risk management into our culture, so that members and managers at all levels recognise it as part of their job.
- Understand the extent and limits of our statutory powers, including the community well-being powers in the Local Government Act 2000
- act within the law, including observing the key principles of administrative law – rationality, legality and natural justice - in our procedures and decision making
- when working in partnership, put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation
- when working in partnership, ensure that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership
- when working in partnership, ensure that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners must ensure that:
 - the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made
 - risk is managed at a corporate and operational level.

Core principle **5**

Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory

officers - also have the capability and capacity to deliver effectively.

Supporting principles

- making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal.

To comply with the above principles, we will:

- develop the skills that members and officers need to effectively carry out their roles
- give the statutory officers have the resources and support they need to perform effectively in their roles
- appoint suitably qualified persons to the three statutory officer posts and make sure their roles are properly understood throughout the authority
- provide induction programmes tailored to individual needs and regular opportunities for members and officers to update their knowledge
- continually develop skills to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
- review the performance of the cabinet and individual cabinet members and agree an action plans to meet any training or development needs
- encourage all sections of the community, contribute to and participate in our work
- consider career structures for members and officers to encourage participation and development
- when working in partnership, ensure that partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level. The partnership should :
 - identify the capacity and capability requirements of the partnership
 - conduct an audit of the availability of the capacity and capability of the partnership and partners
 - develop an effective plan for addressing any gaps.

Core principle **6**

Engaging with local people and other stakeholders to ensure robust local public accountability

Supporting principle

- exercising leadership through a robust overview and scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships
- taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery
- making best use of resources by taking an active and planned approach to meet responsibility to staff.

To comply with the above principles, we will:

- make clear to itself, all staff and the community, to whom it is accountable and for what
- consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required
- establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively
- put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- establish a clear policy on the types of issues they will meaningfully consult or engage with the public and service users including a feedback mechanism for those consultees
- on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period
- put in place effective systems to protect the rights of staff. Ensure that policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place
- develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

- produce an annual report on Overview and Scrutiny function activity
- ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so
- when working in partnership, ensure that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups should be used where appropriate. In the work cycle of the partnership it must be clear and demonstrable to the public what has happened to any feedback and what has changed as a result.

3. REVIEW OF ARRANGEMENTS

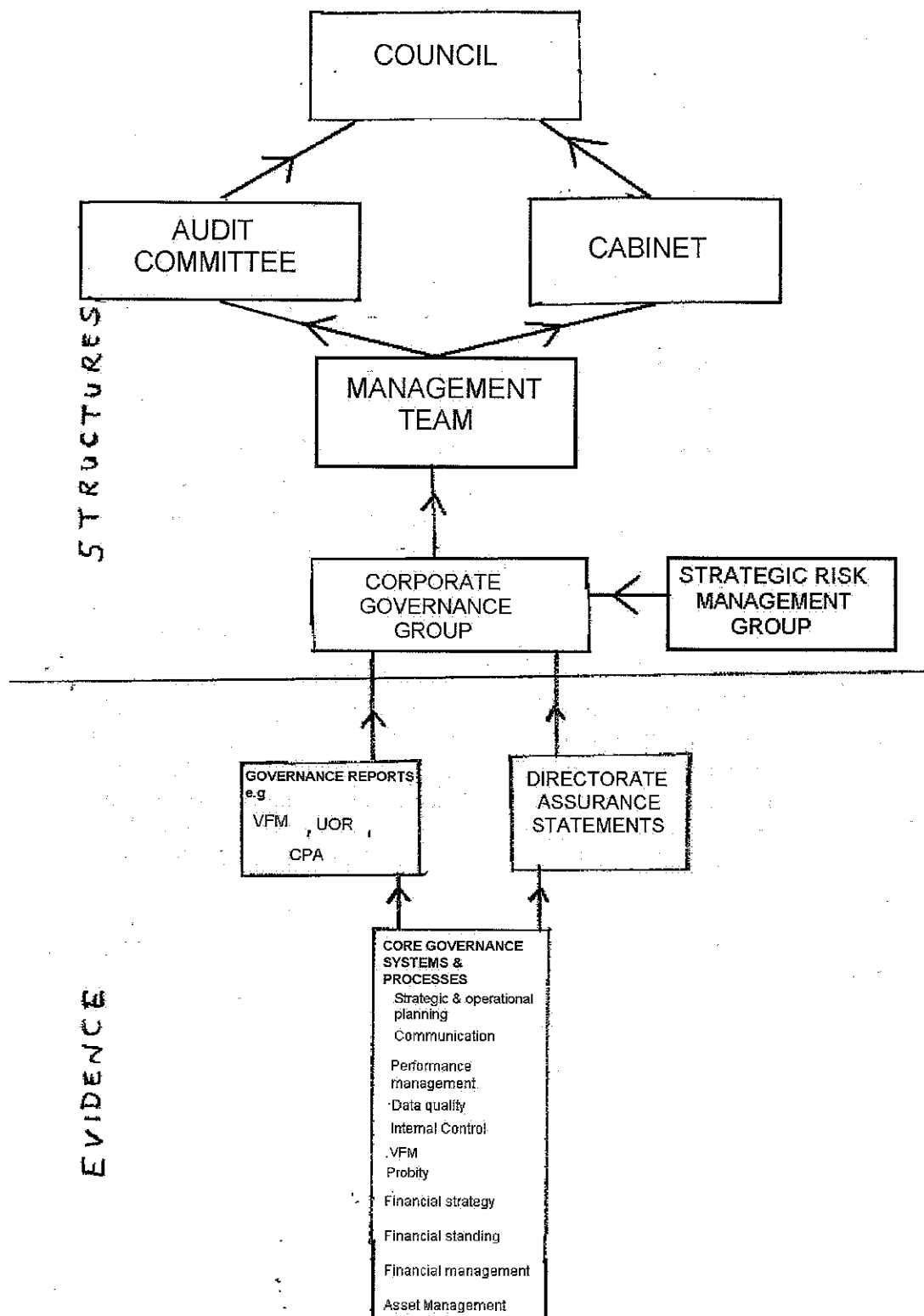
3.1 The CIPFA SOLACE Framework requires the Council to:

- consider the extent to which it complies with the principles and requirements of good governance set out in the Framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

3.2 Commencing with the 2007/8 financial year, the Corporate Governance Group has responsibility for conducting a detailed self-assessment of compliance with the above core principles and supporting principles. This includes the listing of documentary evidence to support the results. Much of the required evidence is taken from the following key systems and processes:

- Strategic and business planning;
- Communication;
- Performance management;
- Risk management;
- Value for money;
- Probity;

- Financial strategy;
 - Financial standing;
 - Financial management;
 - Asset management.
- 3.3 These are also the areas that the Audit Commission bases its annual governance report upon.
- 3.4 The key officers involved in the self assessment are:
- Chief Executive
 - Head of Legal Services (Monitoring Officer)
 - Executive Manager (Finance) (Section 151 Officer)
 - Executive Manager (Democratic Services and Member Support)
- 3.5 The Head of Legal Services has corporate responsibility for governance including oversight of compliance with the CIPFA SOLACE Framework and the process leading to the publication of the Annual Governance Statement.
- 3.6 Any significant non-compliance issues identified in the self-assessment process are disclosed within the Annual Governance Statement and fed into the service planning process. This means that they are subjected to systematic monitoring which in turn ensures their resolution.
- 3.7 The Annual Governance Statement is also reported to the Management Team and Cabinet at the respective chief officer and member levels. In addition, the Audit Committee has responsibility for oversight and scrutiny of governance matters written into its terms of reference. The overall reporting system for corporate governance is shown below. This also indicates that the Corporate Governance Group acts as a conduit for any governance issues identified through external audit and inspection reports, including CPA and Use of Resources assessments.



4. ANNUAL GOVERNANCE STATEMENT

- 4.1 The new CIPFA SOLACE Framework defines proper practice for the form and content of a governance statement that subsumes the

requirement to prepare and publish a Statement on Internal Control (SIC). Regulation 4(2) of the Accounts and Audit Regulations 2003 requires a local authority to “conduct a review at least once in a year of the effectiveness of its system of internal control and include a Statement on Internal Control, prepared in accordance with proper practices....”. To meet the requirements of the Regulations it is mandatory to prepare a governance statement in accordance with this section.

- 4.2 The Council has therefore elected to publish an Annual Governance Statement rather than a Statement on Internal Control, using the CIPFA SOLACE pro forma governance statement as shown at Appendix 1, which includes the following information:
- an acknowledgement of responsibility for ensuring there is a sound system of governance, including in particular the system of internal control
 - an indication of the level of assurance that the systems and processes that comprise the authority’s governance arrangements can provide
 - a brief description of the key elements of the governance arrangements
 - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of: the authority; the executive; the audit committee/overview and scrutiny function/risk management committee/standards committee; internal audit and other explicit review/assurance mechanisms
 - an outline of the actions taken, or proposed, to deal with significant governance and internal control issues.
- 4.4 The annual governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities, including in particular those designed to ensure:
- the authority’s policies are put into place
 - the authority’s values are met
 - laws and regulations are complied with
 - required processes are adhered to
 - financial statements and other published information are accurate and reliable
 - human, financial and other resources are managed efficiently and effectively
 - high quality services are delivered efficiently and effectively.
- 4.5 It therefore covers performance issues – good governance promotes good service but poor service performance reflects a failure of

- governance. Consequently, approval and ownership of the governance statement should be at a corporate level and should be confirmed by the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) signing the statement on behalf of the authority.
- 4.6 The Leader and Chief Executive therefore sign the Annual Governance Statement on behalf of Fylde Borough Council once the review and approval process (Appendix 1) has been followed. To provide additional assurance, the statement will also be signed by the chairman of the Audit Committee, the Monitoring Officer and the Section 151 Officer.
- 4.7 The Annual Governance Statement will be approved by the Audit Committee and published with the financial statements so that the publication timetable for the financial statements drives the governance statement approval timetable.

5. DIRECTORATE ASSURANCE STATEMENTS

- 5.1 As Section 4 above indicates, those signing the Annual Governance Statement will seek assurances that the review and approval process described in Appendix 1 has been followed. This ensures that the views of the statutory officers have been taken into account, and they have in turn sought the views of auditors (internal & external) and other inspectorates as to the adequacy and effectiveness of the Council's system of governance.
- 5.2 However in reviewing and approving the Annual Governance Statement, members will also require assurances on the effectiveness of the governance framework from managers across the Council, as it is they who are charged with embedding corporate governance systems within their directorates.
- 5.3 The Council has therefore adopted a system of Directorate Assurance Statements (Appendix 3) which are compiled on an annual basis to coincide with the production of the Annual Governance Statement. These require Directors to review the operation of a wide range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.
- 5.4 The Corporate Governance Group is then charged with analysing the completed Directorate Assurance Statements to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging from the Directorate Assurance Statements will be included in the Annual Governance

APPENDIX 1

PRO-FORMA ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Fylde Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 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.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. A copy of the code is on our website at www.fylde.gov.uk or can be obtained from the Town Hall, St Annes Road West, St Annes. This statement explains how the council] has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Fylde Borough Council for the year ended 31 March 200x and up to the date of approval of the annual report and statement of accounts.

The governance environment

This section will describe the key elements of the systems and process that comprise the authority's governance arrangements including arrangements for:

- *defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication*
- *developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff*
- *reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks*
- *undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities*
- *ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*
- *whistle-blowing and for receiving and investigating complaints from the public*
- *identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*
- *establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- *incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.*

Review of effectiveness

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This section will describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role of:

- *the authority*
- *the cabinet*
- *the audit committee/overview and scrutiny committees/risk management committee*

- *the standards committee*
- *internal audit*
- *other explicit review/assurance mechanisms.*

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

This section will contain an outline of the actions taken, or proposed, to deal with any significant governance and internal control issues.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed

Leader of the Council

Chief Executive

Signed

Signed

Monitoring Officer

Section 151 Officer

Signed

Chairman, Audit Committee

Audit Committee



Date	Thursday 3 April 2008
Venue	Kirkham Council Chamber, Kirkham
Committee members	Councillor John Singleton (Chairman) Councillor Keith Hyde (Vice-Chairman) Kathleen Harper, Elizabeth Oades, , Louis Rigby, Paul Rigby, Fabian Wilson (for John Coombes) and David Chedd (for Paul Hayhurst)
Other Councillors	
Officers	Phillip Woodward, Bernard Hayes, Ian Curtis, Savile Sykes and Tracy Scholes Mike Tye from the Audit Commission was also present at the meeting

1. Declarations of interest

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

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 28 February 2008 as a correct record for signature by the chairman.

3. Substitute members

The following substitutions were reported under council procedure rule 22.3:

Councillor Fabian Craig-Wilson for Councillor John Coombes

Councillor David Chedd for Councillor Paul Hayhurst

4. Annual Audit and Inspection Letter

Mike Tye (Audit Commission) presented the Annual Audit Letter issued annually by the Council's auditors which outlined the Council's performance during the previous year.

It was outlined that the letter reflected performance for 2006/07 and Mr. Tye reported that overall the letter reflected a good performance picture for the council. There were improved outcomes across a number of services, although performance was variable in different services.

Mr. Tye reported the council made a positive contribution to the Borough through its partnership working. Partnership working with other councils was also brining about improvements in services. Value for money for the services provided by the council was good and scrutiny was also noted to be robust.

The council was recommended to take a number of actions to improve its performance including developing an approach to Comprehensive Area Assessment which will be introduced in the autumn of 2009.

Questions were asked by Councillor Mrs. E. A. Oades who commented that the council's financial position with respect to the 2008/09 budget setting process was not reflected in the letter. Mr. Tye reported that this would be a feature of the annual audit letter issued early in 2009 by the council's new auditors, KPMG, appointed by the Audit Commission to oversee the council. Councillors Mrs. Oades also raised a question regarding extra resources required for the planning service. Mr. Woodward, Chief Executive, reported that performance and capacity issues in the development control section had been partly addressed during the course of the year and a recent report issued by the Planning Advisory Service had recommended further improvements which would be considered by the Cabinet.

The committee RESOLVED To receive the presentation of the Audit Commission, with thanks to Mr. Tye, and to request the Chief Executive and Management Team to take the action outlined on page 14 of the report and report back to the Audit Committee on intended action and implementation dates.

5. Internal Audit Plan 2008/09

Savile Sykes (Head of Internal Audit) presented the report that outlined the Internal Audit Plan for the financial year 2008/09 and described the methodology used in its production. Mr. Sykes explained it was important to have a structured approach to audit work and the plan provided this framework.

It was outlined that the shared services agenda required a change of approach but it remained the council's responsibility to audit key systems of control, including those run by others.

A question was raised about whether the allocation of audit days to the review the council's purchasing cards was sufficient and Mr. Sykes indicated that the days allocated, combined with current controls, were sufficient.

The committee RESOLVED to approve the Annual Internal Audit Plan 2008-09.

6. Code of Corporate Governance

Ian Curtis, the Council's Head of Legal Services, requested the committee to approve the Code of Corporate Governance as a framework to work towards. Members expressed concerns about the lateness of the report and Mr. Curtis explained that this was because as he was still drafting the document earlier in that week and apologised for its delay. In view of this, the Committee felt that it needed further time at a future meeting to debate its detail.

It was explained that a sound system of corporate governance underpinned the achievement of all of the council's strategic objectives and was a significant element of the Comprehensive Performance Assessment (CPA) and Use of Resources assessment regimes, which helped to compare performance with other councils.

In 2007 CIPFA and SOLACE issued "Good Governance in Local Government: A Framework", which urged councils to:

- develop and maintain an up-to-date local code of governance consistent with the core principles set out in the Framework, including arrangements for ensuring its ongoing application and effectiveness;
- review their existing governance arrangements against this Framework;
- Prepare governance statements each year to report publicly on how they comply with their own codes including how effective their governance arrangements are, and on any planned changes.

The local Code of Corporate Governance presented by Mr. Curtis showed how Fylde Borough Council would comply with this new framework.

Following consideration the committee RESOLVED- To approve the local code of governance as a framework to work towards and seek an updated report at the next meeting of the committee.

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