

# Agenda



## AUDIT AND STANDARDS COMMITTEE

Date:	Thursday, 25 June 2015 at 6:15 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	Councillor John Singleton JP (Chairman) Councillor David Donaldson (Vice-Chairman)  Councillors Mark Bamforth, Delma Collins, Peter Collins, Roger Lloyd, Edward Nash, Graeme Neale, Roger Small.

### Public Platform

To hear representations from members of the public in accordance with council procedure rule 11.

Item		Page
1	<b>Declarations of Interest:</b> Declarations of interest, and the responsibility for declaring the same, are matters for elected members. Members are able to obtain advice, in writing, in advance of meetings. This should only be sought via the Council's Monitoring Officer. However, it should be noted that no advice on interests sought less than one working day prior to any meeting will be provided.	1
2	<b>Confirmation of Minutes:</b> To confirm the minutes, as previously circulated, of the meeting held on 26 March 2015 as a correct record.	1
3	<b>Substitute Members:</b> Details of any substitute members notified in accordance with council procedure rule 24(c).	1
	<b>DECISION ITEMS</b>	
4	<b>Annual Governance Statement</b>	3 - 25
5	<b>Risk Management Annual Report</b>	26 - 52
6	<b>Internal Audit Annual Report 2014-15</b>	53 - 67
	<b>INFORMATION ITEMS</b>	
7	<b>Regulation of Investigatory Powers Act 2000: Authorisations</b>	68
8	<b>Year End Performance 2014/15</b>	69

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

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# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF RESOURCES	AUDIT AND STANDARDS COMMITTEE	25 JUNE 2015	4

## ANNUAL GOVERNANCE STATEMENT

### PUBLIC ITEM

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

### SUMMARY

The report presents the Annual Governance Statement prepared under the CIPFA/SOLACE framework the local code of corporate governance for approval.

### RECOMMENDATION

To approve the Annual Governance Statement for signature by the Chairman.

### CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment ( <b>Place</b> )		To Encourage Cohesive Communities ( <b>People</b> )	
To Promote a Thriving Economy ( <b>Prosperity</b> )		To Meet Expectations of our Customers ( <b>Performance</b> )	√

### SUMMARY OF PREVIOUS DECISIONS

There have been no previous decisions regarding this report.

### REPORT

1. A sound system of corporate governance underpins the achievement of all the Council's corporate objectives.
2. The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Fylde Borough Council has complied with the code and shows how the effectiveness of governance arrangements have been monitored during the year.
3. The preparation and publication of an annual governance statement is necessary to comply with Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires authorities to prepare a statement of internal control in accordance with "proper practices". The

CIPFA/SOLACE guidance identifies the production of an annual governance statement in accordance with the guidance as “proper practices”.

### **Summary of the local code**

4. According to the CIPFA/SOLACE guidance, “governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities”.
5. The council’s code adopts the following six core principles from the CIPFA/SOLACE guidance which underpin the council’s system of governance
  - Focusing 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
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting the values of the authority and demonstrating the values of good governance through behaviour
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - 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
  - Engaging with local people and other stakeholders to ensure robust local public accountability.
6. The code requires the Council to:
  - consider the extent to which it complies with the above six core 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.
7. The Local Code describes the arrangements that have been or are being established within the Council to comply with the requirements and these are summarised below.

### **Annual Governance Statement**

8. The local code identifies a number of core principles that good governance comprises. A summary of this is attached as an appendix for members’ information. The Corporate Governance Group, comprising the Monitoring Officer, Section 151 Officer, Head of Internal Audit and Head of Governance, has conducted a detailed self-assessment of the council’s governance against this checklist. A further addendum to the checklist was issued in 2012 to keep the framework current. These additional tests have also been addressed.
9. The council must publish the results of this self-assessment, including any recommended areas for improvement in the forthcoming year, as part of its Annual Governance Statement alongside the annual accounts.

10. The governance statement is attached to this report and is presented for approval by the committee. It will, if approved, be signed by the council leader and the chief executive.
11. The Corporate Governance Group will draw up an action plan for future approval by the committee to meet the issues identified in the governance statement.

#### **2014 Annual Governance Statement**

12. There were four actions arising in the 2014 Annual Governance Statement:
  - a. Refresh business continuity arrangements
  - b. Refresh IT disaster recovery plan
  - c. Review approach to project management
  - d. Prepare for change in governance arrangements
13. Actions b, c and d have all been completed, in terms of the refresh of the business continuity arrangements good progress has been made.
14. The business continuity plan will be completed by the end of July 2015, with testing taking place in the autumn.

<b>IMPLICATIONS</b>	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems and practices. The Annual Governance Statement is an important requirement within the Code.
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 2011.
Community Safety	None.
Human Rights and Equalities	None
Sustainability and Environmental Impact	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.

<b>LEAD AUTHOR</b>	<b>TEL</b>	<b>DATE</b>	<b>DOC ID</b>
Tracy Morrison	01253 658521	10 June 2015	

<b>LIST OF BACKGROUND PAPERS</b>		
Name of document	Date	Where available for inspection
Code of Corporate Governance	April 2008	Town Hall, St Annes
Directorate assurance statements	2014/15	Town Hall, St Annes

Attached documents

Appendix 1 - Annual Governance Statement

Appendix 2 – Delivering Good Governance in Local Government Core Principles

**ANNUAL GOVERNANCE STATEMENT 2015****Scope of responsibility**

Fylde 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](http://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, together with the addendum issued in 2012, and also meets the requirements of regulation 4 (3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

**The purpose of the governance framework**

The governance framework comprises 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. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework has been in place at the Fylde Borough Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

### **The governance environment**

#### Principles

The Council has adopted a code of corporate governance (“the Code”) and recognises that effective governance is achieved through the core principles enshrined in it. These are:

1. Focusing on the purpose of the authority and on outcomes for the community 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 values for the authority and demonstrating the values of good governance through upholding high standards of conduct and 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 accountability

CIPFA and SOLACE reviewed the Framework during 2012 to ensure it maintained ‘fit for purpose’ and issued the Guidance in late December 2012 with the key message for local authorities to review and report on the effectiveness of their governance arrangements and meet the government standard.

Other developments that impact on the Framework since its launch include:

- The Government’s commitment to increasing transparency
- Localism Act 2011
- Revised guidance on the role of the Chief Finance Officer
- Revised guidance on the role of Head of Internal Audit
- Changes to Local Authority governance structures

The Council’s corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the authority in its pursuit of its vision and objectives. The following describes the key elements:

#### Constitution

The Council’s constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution also identifies the principal obligations and functions of the council.

The constitution and its appendices clearly explain how the different elements of the council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols.

The constitution builds on model constitutions and guidance maintained by the Department for Communities and Local Government.

The Monitoring Officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its objectives. The constitution is also presented annually to the council for re-adoption and updating to ensure that it remains relevant to its purposes.

### Political structure

The Council's governance system changed in May 2015, following a referendum held in May 2014, which resulted in a vote in favour of the Council moving from an executive form of governance to a committee system.

The Council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it.

The authority operates a committee system with decision-making delegated to the council's committees. There is a mechanism in place for decisions to be referred to the Council. The council's committees comprise Finance and Democracy, Tourism and Leisure, Environment, Health and Housing, Operational Management, Development Management, Licensing, Public Protection and the combined Audit and Standards Committees.

Meetings of the committees are open to the public, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point and seek to have it addressed during the course of the meeting. Members of the Council who are not members of the respective committees can ask questions at committee meetings. This helps ensure robust accountability of decisions.

The Council has no scrutiny committee/committees in place as it has decided to opt out of this process.



The Council's Audit and Standards Committee deals with all aspects of advice and guidance for Members on matters of conduct, ethics, propriety and declarations of interest. It also assesses, oversees and determines complaints made against Members under the Code of Conduct. The Council has access to a number of 'independent persons' who assist in upholding high standards.

The Audit and Standards Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations.

The monitoring and performance of the Council's assurance and governance framework is also led by the Council's Audit and Standards Committee. The committee has the responsibility to ensure that the monitoring and probity of the Council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the Council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

### Officer structure

The authority implements its priorities, objectives and decisions through officers, partnerships and other bodies. Officers can also make some decisions on behalf of the authority.

The Chief Executive is designated as the head of the authority's paid service. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the authority. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

The Council has designated its Director of Resources as Monitoring Officer. The Monitoring Officer must ensure compliance with established policies, procedures, laws and regulations. She must report to the full Council or one of the Council's Committees as appropriate if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council has designated the Chief Financial Officer as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local

Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2011.

Both statutory officers referred to above have unfettered access to information, to the Chief Executive and to Councillors so they can discharge their responsibilities effectively. The functions of these officers and their roles are clearly set out in the Council's Constitution. In particular, the role of the Chief Financial Officer accords with the principles set out in the CIPFA Statement on the Role of the Chief Financial Officer.

Two directors report to the Chief Executive and collectively form the authority's management team together with the Chief Financial Officer who acts as a specialist advisor. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The Constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business and manages a business unit.

The Management Team collectively and individually are responsible for securing the economical, effective and efficient use of resources as required by the duty of best value.

Powers delegated to each member of Management Team are documented in the constitution.

The Council maintains an independent Internal Audit Service, which operates within the principles contained in the standards set out in the United Kingdom Public Sector Internal Audit Standards 2012.

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit and Standards Committee and Management Team and to compile, maintain and monitor the Code.

### Operational

The Corporate Plan establishes Fylde Council's corporate priorities and reflects the Council's principal statutory obligations. Performance against the plan is supported by a performance management system.

The financial management of the authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place

a Medium Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning process. All services are reviewed annually to ensure that they meet the needs of customers and that performance targets for quality improvements are set and monitored. The Medium Term Financial Strategy includes targets for efficiency savings where appropriate, to be met across all service areas.

Annual budgets are set by the Council in the context of the Medium Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Regulations.

A robust process of financial monitoring is in place. Budgets are regularly reviewed, the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported on a regular basis to the Management Team, to the Council's Committees, and to full Council. Closer monitoring and appropriate action is taken where there is an indication of a likely variance against budget.

The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance.

The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website.

The Council had adopted and implemented a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and regularly reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks.

A corporate Risk Management Group (RMG) has been established with an effective monitoring and reporting mechanism. A member of Management Team is the nominated chair of the RMG.

The authority's risk management policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, service managers are required to incorporate a register of risks relevant to their service area within each Directorate's service plan.

Internal Audit provides in its annual report an independent and objective opinion on the effectiveness and operation of the internal control framework during the year.

In accordance with the Accounts and Audit Regulations, an annual assessment of the Council's systems of internal audit is carried out each year using the Public Sector Internal Audit Standards and the checklist provided in the Local Government Application Note published by CIPFA.

The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Council services are delivered by trained and experienced people. All posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme.

In addition the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control.

The authority has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially.

The authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

### **Review of effectiveness**

The authority supplements the mandatory external audit judgements by assessing itself against the good practice elsewhere. This, together with the authority's own performance management framework, provides the evidence needed to ensure a culture of continuous performance improvement.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to produce an Annual Report and provide opinion on the effectiveness of the authority's Audit and Standards Committee and the internal control function.

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 Corporate Governance Group, which comprises the Chief Executive, Section 151 Officer, Monitoring Officer, Head of Governance and the Head of Internal Audit, has been given the responsibility to annually review the corporate governance framework and to report to Audit and Standards Committee on the adequacy and effectiveness of the Code and the extent of compliance with it.

The review of effectiveness is informed by the work of the Directors 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.

The Group also receives assurance statements on an annual basis covering each of the Council's service areas. These assurance statements show the extent of compliance within the Directorate concerned with key corporate procedures designed to embed good governance and internal control. In addition, the group has taken account of external assurance sources including the external auditor's Annual Audit Letter and 'ISA 260 report to those charged with governance'.

Internal Audit has carried out an annual programme of reviews as approved by the Audit and Standards Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the authority's Internal Audit service. Any significant failure to achieve agreed actions is reported to the Audit and Standards Committee, who can require an explanation from the Director concerned.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit now carries out an annual review of the risk management framework in accordance with the terms of the Risk Management Policy.

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 and Standards Committee, and a plan to address weaknesses and ensure continuous improvement of the system is set out below.

### **Governance Issues**

As a result of the assessment of the effectiveness of governance within the Council, the Corporate Governance Group has identified that a sound system of governance exists within the authority.

However, as the Council's governance system – the 'committee system' – was introduced in May 2015, there is a key action to be undertaken during the course of the year in terms of embedding this new system.

It is suggested that a review should be undertaken of the new governance system in terms of a six monthly review to ensure that it is working effectively both operationally and structurally.

**Statement**

On the basis of the work carried out, which has been reviewed by the Audit and Standards Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the above matters to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

.....  
Councillor John Singleton, Chairman of Audit and Standards Committee

## DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT

### Governance – Application

To achieve good governance, each authority should be able to demonstrate that it is complying with the core and supporting principles contained in this Framework and should therefore develop and maintain a local code of governance appropriate to its circumstances comprising the requirements for best practice outlined below.

#### CORE PRINCIPLE

##### **(A) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity.

Local government bodies need to develop and articulate a clear vision of their purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users</li> </ul>	<ul style="list-style-type: none"> <li>develop and promote the authority's purpose and vision</li> <li>review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements</li> <li>ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</li> <li>publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</li> </ul>
<ul style="list-style-type: none"> <li>ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning</li> </ul>	<ul style="list-style-type: none"> <li>decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</li> <li>put in place effective arrangements to identify and deal with failure in service delivery</li> </ul>

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money</li> </ul>	<ul style="list-style-type: none"> <li>decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions</li> </ul>

## CORE PRINCIPLE

### (B) Members and officers working together to achieve a common purpose with clearly defined functions and roles

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority.

Further information on the structure and roles of the local authority governing bodies is included in the guidance notes to this Framework.

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</li> </ul>	<ul style="list-style-type: none"> <li>set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice</li> <li>set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers</li> </ul>
<ul style="list-style-type: none"> <li>ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</li> </ul>	<ul style="list-style-type: none"> <li>determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required</li> </ul>



Supporting principles	The local code should reflect the requirement for local authorities to:
	<ul style="list-style-type: none"> <li>• make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management</li> <li>• develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</li> <li>• make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</li> </ul>
<ul style="list-style-type: none"> <li>• ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other</li> </ul>	<ul style="list-style-type: none"> <li>• develop protocols to ensure effective communication between members and officers in their respective roles</li> <li>• set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)</li> <li>• ensure that effective mechanisms exist to monitor service delivery</li> </ul>

Supporting principles	The local code should reflect the requirement for local authorities to:
	<ul style="list-style-type: none"> <li>• ensure that the organisation’s vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</li> <li>• when working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority</li> <li>• when working in partnership: <ul style="list-style-type: none"> <li>– ensure that there is clarity about the legal status of the partnership</li> <li>– ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions</li> </ul> </li> </ul>

## CORE PRINCIPLE

### **(C) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in public Life, known as the Nolan principles. In England, the Local government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The Nolan seven principles and additional three principles are included in the guidance notes accompanying this Framework.

A hallmark of good governance is the development of shared values, which become part of the organisation’s culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and antidiscrimination.

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>• ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</li> </ul>	<ul style="list-style-type: none"> <li>• ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> <li>• ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</li> <li>• put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>
<ul style="list-style-type: none"> <li>• ensuring that organisational values are put into practice and are effective</li> </ul>	<ul style="list-style-type: none"> <li>• develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners</li> <li>• put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</li> <li>• develop and maintain an effective standards committee</li> <li>• use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</li> <li>• 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 demonstrated by partners' behaviour both individually and collectively</li> </ul>

**CORE PRINCIPLE****(D) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms.

To make such decisions, authority members must be well informed.

Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>• being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>• develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible</li> <li>• develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> <li>• put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice</li> <li>• develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee</li> <li>• ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</li> </ul>

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>• having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</li> </ul>	<ul style="list-style-type: none"> <li>• ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</li> <li>• ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</li> </ul>
<ul style="list-style-type: none"> <li>• ensuring that an effective risk management system is in place</li> </ul>	<ul style="list-style-type: none"> <li>• ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</li> <li>• ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access</li> </ul>
<ul style="list-style-type: none"> <li>• using their legal powers to the full benefit of the citizens and communities in their area</li> </ul>	<ul style="list-style-type: none"> <li>• actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities</li> <li>• recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law</li> </ul>
	<ul style="list-style-type: none"> <li>• observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision making processes</li> </ul>

**CORE PRINCIPLE****(E) Developing the capacity and capability of members and officers to be effective**

Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in our public services.

Authorities need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding, and authority members need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.

Good governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions will develop a membership that has a greater range of experience and knowledge. It will also help to increase the diversity of authority members in terms of age, ethnic background, social class, life experiences, gender and disability. This concept should also be borne in mind when members are appointed to the boards of other public service organisations.

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</li> </ul>	<ul style="list-style-type: none"> <li>provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis</li> <li>ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</li> </ul>
<ul style="list-style-type: none"> <li>developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group</li> </ul>	<ul style="list-style-type: none"> <li>assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</li> <li>develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</li> <li>ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs</li> </ul>

Supporting principles	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal</li> </ul>	<ul style="list-style-type: none"> <li>ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</li> <li>ensure that career structures are in place for members and officers to encourage participation and development</li> </ul>

## CORE PRINCIPLE

### (F) Engaging with local people and other stakeholders to ensure robust public accountability

Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the ombudsman.

Supporting principle	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships</li> </ul>	<ul style="list-style-type: none"> <li>make clear to themselves, all staff and the community to whom they are accountable and for what</li> <li>consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</li> <li>produce an annual report on the activity of the scrutiny function</li> </ul>

Supporting principle	The local code should reflect the requirement for local authorities to:
<ul style="list-style-type: none"> <li>• taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning</li> </ul>	<ul style="list-style-type: none"> <li>• ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively</li> <li>• hold meetings in public unless there are good reasons for confidentiality</li> <li>• ensure that arrangements are in place 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</li> <li>• establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result</li> <li>• 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</li> </ul>
	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<ul style="list-style-type: none"> <li>• making best use of human resources by taking an active and planned approach to meet responsibility to staff</li> </ul>	<ul style="list-style-type: none"> <li>• develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</li> </ul>



**DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK – ADDENDUM 2012**

Key elements of the systems and processes that comprise an authority's governance include arrangements for:

- ♦ identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- ♦ reviewing the authority's vision and its implications for the authority's governance arrangements
- ♦ translating the vision into objectives for the authority and its partnerships
- ♦ measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money
- ♦ 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 in respect of the authority and partnership arrangements
- ♦ developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- ♦ reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- ♦ reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- ♦ ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- ♦ ensuring effective management of change and transformation
- ♦ ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact
- ♦ ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact
- ♦ ensuring effective arrangements are in place for the discharge of the monitoring officer function
- ♦ ensuring effective arrangements are in place for the discharge of the head of paid service function
- ♦ 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
- ♦ whistleblowing 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
- ♦ enhancing the accountability for service delivery and effectiveness of other public service providers<sup>1</sup>
- ♦ incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships,<sup>2</sup> and reflecting these in the authority's overall governance arrangements.

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	25 JUNE 2015	5

## RISK MANAGEMENT ANNUAL REPORT

### PUBLIC ITEM

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

### SUMMARY

This report summarises the year-end report on the 2014/15 Strategic Risk Register Action Plans, and the work undertaken by the Council's Risk & Emergency Planning Officer in producing the Strategic Risk Register for 2015/16 and the annual review of the Strategic Risk Management Strategy.

### RECOMMENDATIONS

1. It is recommended that the year-end report of the progress on the 2014/2015 Risk Action Plans be considered and appropriate comments made.
2. It is recommended that the Strategic Risk Register for 2015/2016 is approved.
3. It is recommended that the updated Strategic Risk Management Strategy is approved.

### CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment ( <b>Place</b> )		To Encourage Cohesive Communities ( <b>People</b> )	
To Promote a Thriving Economy ( <b>Prosperity</b> )		To Meet Expectations of our Customers ( <b>Performance</b> )	√

### SUMMARY OF PREVIOUS DECISIONS

1. The Strategic Risk Register for 2014/2015 was approved by the Audit Committee at its meeting on 26<sup>th</sup> June 2014.
2. The Strategic Risk Management Strategy was approved by the Audit Committee at its meeting on 26<sup>th</sup> June 2014.

## REPORT

### Introduction

1. The audit commission requires strategic risks to be reviewed on an annual basis and recommends that both Members and Officers are involved in the identification of the risks. Taking this into account this year's risk identification exercise included; the Chairman of the then Audit Committee, along with the Chief Executive, Directors of Development and Resources and the Section 151 Officer.

### Strategic Risk Register 2014/15

2. In the 2014/2015 Strategic Risk Register there were 29 individual actions identified for monitoring throughout 2014/15. 25 actions were completed during 2014/15, this represents a completion rate of 86%. Details of the 4 non-completed actions are shown below in Table 1 below.

**Table 1 – Outstanding actions from 2014/2015 Risk Action Plans**

Action Plan	Action	Due Date	Reason for non -completion
Capacity & Change	Map critical skill/knowledge gaps	July 2014	As reported in the January 2015 update, there was a lack of Senior Management capacity to complete this task in 2014/15. This work will be completed as part of the appraisal process currently in progress.
Capacity & Change	Develop service based succession plans based on skills gap	October 2014	Dependent on above. Succession planning work will be carried out as part of the wider work on the future structure of the Council (scheduled for November & December 15. A new organisational structure from April 2016, will reflect the future needs of the Authority and accommodate career progression and development that covers succession plans for each service.
Travellers	Implement the decision of the DM Committee	31/03/15	This action has been unable to be completed as the Cttee Decision is subject to Judicial Review
Travellers	Action plan reviewed in light of changing circumstances	31/03/15	Dependent on above

### Review of the Strategic Risk Management Strategy

3. The current Strategic Risk Management Strategy was approved by the committee in June 2014. Minor amendments have been made to reflect the new governance arrangements introduced in May 2015. The rest of the strategy remains as before. The SRMS (Appendix 1) is therefore presented to the committee again for adoption taking into account the changes made thereto.

### Strategic Risk Register 2015/2016

4. The strategic risk register for 2015/2016 is attached (Appendix 2). The strategic risk areas and monitoring body for each risk are shown in Table 2 below.

Table 2 Strategic Risks 2014/2015

Strategic Risk Area	Risks mitigation method	Monitoring Body
New Committee System	Project management	Project Management Group
ICT – major systems	Managed in IT Strategy plan	Management Team Qtly Reports
Local Plan	Action Plan	Development Committee
Travellers	Dynamic action plan	Management Team
Financial Challenges	Managed via MTFS	Finance and Democracy Committee
LCC Cost Sharing Agreement	Risk Action Plan	SRMG & Reports to Audit & Standards Committee

5. In previous years an individual risk action plan was developed for each strategic risk area identified in the annual Risk Identification process. Such action plans have been stand alone and were monitored in full by the SRMG with reporting of non-completion of risk actions being made to the Audit Committee. To some extent this resulted in the monitoring of some the risk areas (i.e. Local Plan) being carried out by the Audit Committee and, in the case of the Local Plan, by the Development Management Committee. This resulted in a duplication of effort and a reduction in efficiency with officers reporting to two or more separate bodies. In order to avoid this duplication it is proposed to adopt a slightly different method of monitoring and reporting this year.
6. After discussion at the Management Team Risk workshop and the SRMG it is proposed that risks identified are monitored by the most appropriate forum. You will note from Table 2 above, this year there are six Strategic Risk Areas, and for one of these a risk action plan has been developed and is presented to you today for approval. All but one of the other identified Risk Areas are already being monitored either by council committee or a designated management appointed body to ensure that work plans are completed to plan. In these instances the SRMG will monitor the progress of these plans and report any non-completion to the Audit & Standards Committee. The final Risk Area relates to “Travellers”. From experience over the last few years, due to legal interventions, it has been impossible to develop a meaningful Risk Action Plan in the traditional way that did not require complete revision at each stage when challenges were made against the Council’s actions. It is, therefore, proposed that the “Travellers Action Plan” should be a dynamic action plan, this being one that is developed as events roll out. This action plan will be developed on an ongoing basis by the Corporate Management Team and it will be monitored by both CMT and the SRMG.
7. A progress report on the completion of the LCC Cost Sharing Risk Action Plan will be brought to the Audit & Standards Committee in January 2016. The report will also comment on any non-completion issues in respect of the other Strategic Risk Areas.

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective including its arrangements for the management of risk. 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.
Legal	The annual risk review forms part of the Council's corporate governance arrangements.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	Included in the report

LEAD AUTHOR	TEL	DATE	DOC ID
Andrew Wilsdon	01253 658412	Date of report	01/06/2015

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

Attached documents

1. Strategic Risk Management Strategy (Appendix 1)
2. 2015/2016 Strategic Risk Register (Appendix 2)



**Risk Management  
Strategy 2015**

Draft

## FOREWORD

Welcome to the Council's Strategic & Operational Risk Management Strategy, refreshed in June 2015. The aim of the Strategy is to improve strategic and operational risk management throughout the Council. Effective risk management allows the Council to:

- have increased confidence in achieving its corporate objectives
- 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 core objectives and improve outcomes for its residents.

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

**Allan Oldfield**  
**Chief Executive**  
**Fylde Council**



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### Information Box

Title	Risk Management Strategy version 3.7 revised June 2015
Description	Fylde Borough Council's Risk Management Strategy
Primary audience	Members, Chief Executive, Corporate Management Team, Heads of Service and all Fylde Borough Council staff
Contact	Risk & Emergency Planning Officer Resources Directorate Tel. No.: 01253 658412
Last revised	June 2015



# 1. Introduction

This document forms Fylde 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 core objectives (**Places, People, Prosperity & Performance**) by managing its threats, enhancing its opportunities and creating an environment that adds value to ongoing operational activities.

## Council's Objectives:

The Council has adopted a Corporate Plan that sets out the Council's Vision and identifies four key corporate objectives required to achieve it. The corporate vision is to work with partners to provide and maintain a welcoming, inclusive place with flourishing communities through four corporate objectives:

- (Places) The promotion and enhancement of the natural and built environment
- ( People) The promotion of cohesive communities
- (Prosperity) The promotion of a thriving economy
- (Performance) Meeting the expectations of our customers

## Risk Strategy 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 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 Council 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 (**Places, People, Prosperity & Performance**) and enhance the value of services provided.

Strategic risk management is also an integral requirement of 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 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 the Annual Statement of Accounts and referred to in the 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 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 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
- Partnerships/Shared Services

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 Directorates

Risk Area	Service Area with Lead Responsibility
Health & Safety Risks	Resources Directorate (Client) Blackpool Council Health & Safety (Contractor)
Emergency Planning	Resources Directorate
Business Continuity	Resources Directorate
Project Risks	Initiating Directorate
Business Risks	Resources Directorate
Partnership Risks	Initiating Directorate

### **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 (Business Continuity Plan).

### **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

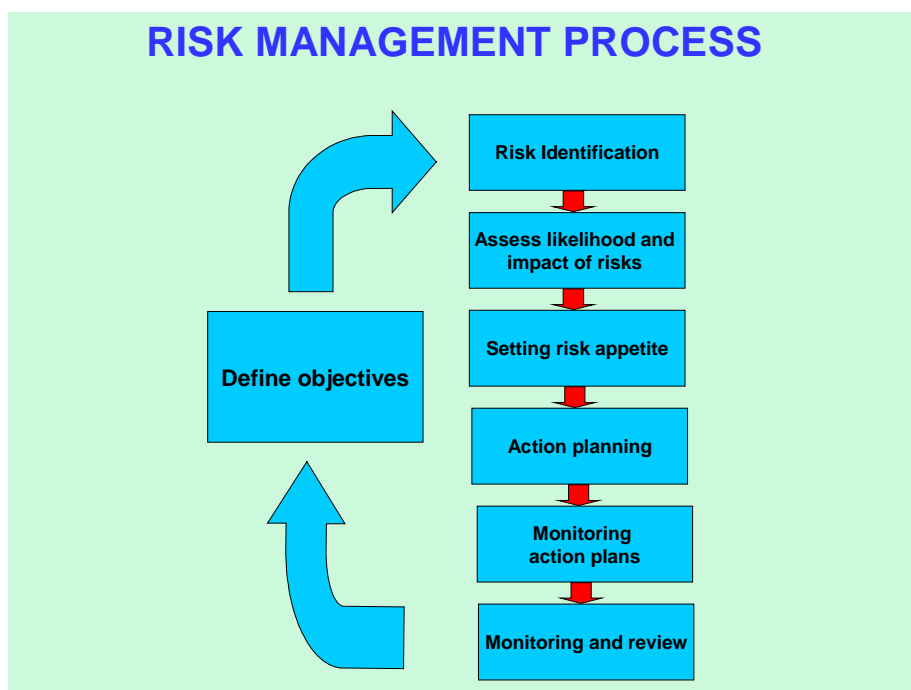
Council's core objectives and corporate plans) and operational activities (delivery of actions identified in directorate service plans)

### Partnership Risks

Although there are clear inter-dependencies between Partnership Risks and Strategic Risk Management, the Council's partnership working arrangements are dealt with separately to this Strategy. (Partnership Protocol)

## 5. What is the Risk Management Process?

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



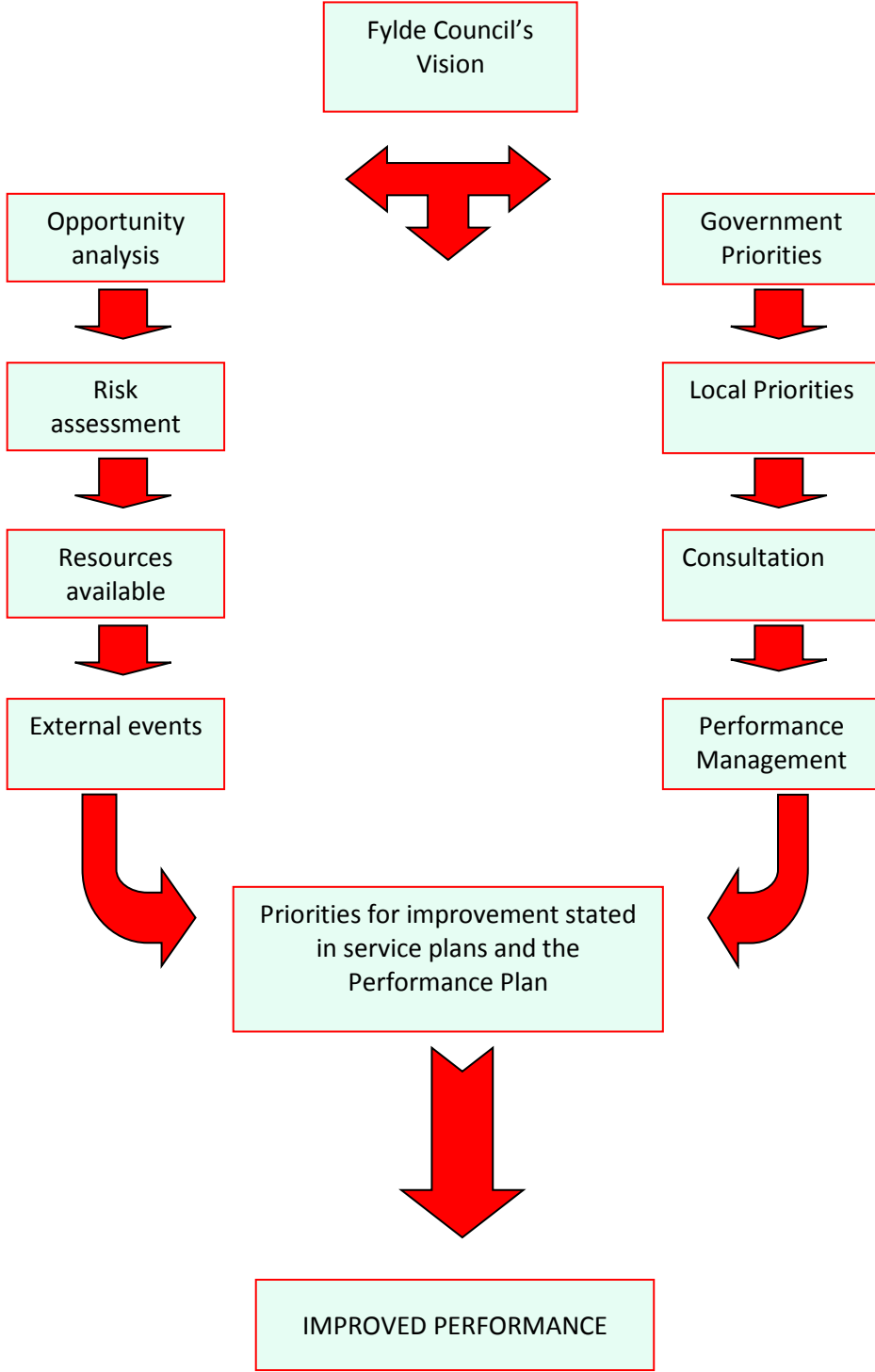
The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then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

Step	Element	Activity Description
1	<b>Risk Identification</b>	Individual interviews are requested in Dec / Jan each year with the Chief Executive, Directors, and Chairman / Vice 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	<b>Risk Analysis</b>	The risks identified in step 1 are analysed and clustered around common areas. These are then written into scenarios by the Risk & Emergency Planning Officer and Chief Internal Auditor that show the vulnerability, trigger and consequences of each risk type.
3	<b>Risk Priority</b>	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	<b>Action Planning</b>	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	<b>Monitoring</b>	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	<b>Monitoring &amp; Review</b>	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	<b>Operational Risk</b>	The managing of operational risks is conducted using the same framework but within each directorate. Operational Risks Registers are set up in each directorate and they are monitored by the directorate Risk Champion. Reports on the progress of the individual directorate risk registers will be made to the operational risk management group twice yearly by the directorate risk champions



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 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 VFM 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 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 all reports to non-regulatory committees where a decision is being recommended must have a risk assessment completed with the significant findings of the risk assessment included in the report. The report should also identify the risk register in which the risks and required risk mitigation actions will be entered and monitored. If it is considered that a risk assessment is not appropriate this information must be reported.

**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. Report % achievement of previous years Risk Actions	End of June each year	Risk & Emergency Planning Officer
Raise awareness of risk management as an effective management tool	ongoing	Risk & Emergency Planning Officer
Directorate service plans - assessment and prioritisation of risks	Feb/Mar each year	Directorate Risk Teams
Report to Audit Committee on progress on the current years Risk Actions contained in the Risk Register	Jan each year	Risk & Emergency Planning 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
<b>The Audit Committee</b>	<ul style="list-style-type: none"> <li>➤ Overseeing effective risk management across the Council</li> <li>➤ Agreeing Fylde Council's Risk Management Strategy</li> <li>➤ Ensuring that risk management is delivered by the Director of Resources on behalf of the Council</li> <li>➤ Ensuring that a Strategic Risk Register, including details of actions taken to mitigate the risks identified, is established and regularly monitored</li> <li>➤ Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually</li> <li>➤ Seeking assurances that action is being taken on risk related issues identified</li> <li>➤ Facilitating a risk management culture across the Council</li> </ul>
<b>Chief Executive &amp; Corporate Management Team</b>	<ul style="list-style-type: none"> <li>➤ Leading risk management across the Council, with the Director Resources as the designated CMT lead on Risk</li> <li>➤ Advising members on effective risk management and ensuring that they receive regular monitoring reports</li> <li>➤ Recommending a Risk Management Strategy to Members of the Audit Committee</li> <li>➤ Identifying and managing the business risks and opportunities facing the Council</li> <li>➤ Co-ordinating risk management across the Council</li> <li>➤ Being responsible for ensuring that the Council fully complies with all corporate governance requirements, including the Annual Statement of Internal Control</li> </ul>

Role	Responsibilities
<b>Directors</b>	<p>Directors will demonstrate their commitment to risk management through: -</p> <ul style="list-style-type: none"> <li>➤ Ensuring that risk management within their directorate is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management</li> <li>➤ Ensuring partnerships initiated by their directorates are constituted in accordance with the Partnerships Protocol</li> <li>➤ Appoint a risk champion who is authorised to progress effective risk management throughout their directorate that adheres to corporate guidelines</li> <li>➤ Identifying, analysing, prioritising, and action planning risks arising from their business area. Identified risks to be recorder in a Directorate Operational Risk Register. DORR's to be kept up to date and reported on as required.</li> <li>➤ Balancing an acceptable level of operational risk against programme and project objectives and business opportunity</li> <li>➤ Reporting systematically and promptly to the Corporate Management Team any perceived new risk or failures of existing control measurers</li> <li>➤ Attending the Strategic Risk Management Group</li> </ul>
<b>Risk Champions</b>	<ul style="list-style-type: none"> <li>➤ Acting as the main contact for their directorate on risk matters, and ensuring that corporate information and requirements are communicated to the directorate</li> <li>➤ Progressing across their directorate effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met</li> <li>➤ Representing their directorate at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Director</li> <li>➤ Provide the ORMG with twice yearly reports on the status of their directorate's Risk Register and progress made on implementing the DORR risk action plan.</li> <li>➤ Providing support on risk management to Directors and middle managers within their directorate</li> <li>➤ Promoting the benefits of risk management across the directorate</li> <li>➤ Maintaining, on behalf of Director an up to date DORR that complies with corporate guidelines.</li> </ul>

<b>Role</b>	<b>Responsibilities</b>
<b>Heads of Service / Service Managers</b>	<ul style="list-style-type: none"> <li>➤ Communicating to staff the corporate approach to risk management</li> <li>➤ Identifying the risk management training needed by staff, and reporting this to the directorate Risk Champion</li> <li>➤ Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>➤ Understanding their accountability for individual risks</li> <li>➤ Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>➤ Auditing the key elements of the Council's Risk Management Process</li> <li>➤ Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan</li> <li>➤ Ensuring that internal controls are robust and operating correctly</li> </ul>
<b>Risk Management Groups</b>	<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"> <li>➤ Promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures</li> <li>➤ 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".</li> <li>➤ Investigate issues referred to it by the Corporate Management Team and report back in a timely manner</li> <li>➤ Standardise procedures and practices to reduce property and liability losses and claims</li> <li>➤ Advise Corporate Management Team on risk management issues referred to it by individual directorates.</li> <li>➤ Receive reports from the Risk &amp; Emergency Planning Officer and Directorate Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.</li> </ul>

Role	Responsibilities
<b>Risk Management Groups</b>	<ul style="list-style-type: none"> <li>➤ Adopt SMART reporting techniques for all issues sent to the group from whatever source</li> <li>➤ Introduce more sophisticated systems to analyse and forecast losses</li> <li>➤ Investigate the feasibility of allocating risk costs in line with the risk features of each budget holder</li> <li>➤ 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</li> <li>➤ Wherever possible, improve risk management information and investigative procedures within the authority</li> </ul> <p>The terms of reference for the risk management group is attached at <a href="#">appendix B</a></p>
<b>Risk &amp; Emergency Planning Officer</b>	<ul style="list-style-type: none"> <li>➤ Provide advice and guidance on insurable risks</li> <li>➤ Provide strategic direction on the Council's approach to risk management</li> <li>➤ Ensure effective liaison between risk areas (see table on page 6)</li> <li>➤ Co-ordinating the Council's approach to risk management</li> <li>➤ Provide advice to the Council on risks arising from partnership working, and possible mitigation actions such as use of Service Level Agreements</li> <li>➤ Report on the status of the Council's Corporate Risk Register and the implementation of the associated action plans</li> </ul>

## 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 Directorate 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, Directors and staff of all directorates must be fully supportive of the initiative.

It is the responsibility of every directorate to implement a sound Risk Management strategy. Management at directorate 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 (minimum of 4 meetings per year); however the Chairman of either group may call extra meetings as necessary.

#### Chairmanship

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

#### Secretary

The Secretary of the Groups will normally be the Risk & Emergency Planning Officer.

#### Membership of the Groups

Every directorate will be represented on the each Group. Each directorate will nominate a senior member of the directorate to represent the directorate on the group. Directorate 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 directorates.
- 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 Strategic Risk Management Group will also monitor the Council’s Emergency Planning, Business Continuity and Disaster Recovery Plans, as well as Information Security/Risk and Data Protection
- 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.



### Operational Staff H&S Committee – Terms of Reference

#### Meetings

The operational staff H&S committee will meet on a regular basis (minimum of 4 meetings per year); however the Chairman of the committee may call extra meetings as necessary.

#### Chairmanship

The Chairmen of the committee will normally appointed by the CEO.

#### Secretary

The Secretary of the committee will normally be the Risk & Emergency Planning Officer.

#### Membership of the Committee

The committee will be made up as follows: Supervisors from all the operational units of the Council, union representatives (Unison/GMB/Unite), a representative of H&S (Blackpool), plus 2 members of staff each the larger works areas such as Waste & Grounds Maintenance and 1 each from smaller work areas including Fleet, Leisure and the Cemetery. Staff members should, where possible, be rotated over a cycle of a number of meetings so that operational H&S is promoted to as many members of staff 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 Operational Staff H&S Committee is to promote good H&S practice across the Authority and act as a “Champion” on H&S issues.
- The committee should promote the “positive” effects that good H&S can have when embedded into all operational activities.
- H&S procedures should be seen as an aid to ensure we work in a safe and beneficial way, not a way of making work more difficult.
- The Operational Staff H&S Cttee should investigate issues referred to it by the Operational Risk Management Group, along with accidents and near misses involving operational staff, motor accidents and any operational breaches of health and safety investigated under the council disciplinary policy so that refresher/additional training needs can be identified. The committee’s findings on all these issues will be reported to the ORMG in a timely manner.
- The committee should also advise the Operational Risk Management Group on H&S issues referred to it by other parties.
- The committee should adopt SMART reporting techniques for all issues sent to the group from whatever source.
- The Operational Risk Management Group will manage Operational risks which affect the Council’s ability to run its day to day services.
- The Operational Staff H&S Committee will manage operational H&S issues which affect the operational staff in their day to day work carrying out the Council’s operational services.

#### Minutes and Reports

Minutes of meetings should be kept and the Chairman of the Committee should present these to the Operational Risk Management Group at the next available meeting. Once minutes and reports are approved by the ORMG they should be posted onto the risk management page of the Intranet.



## Strategic Risk Register 2015/2016

### Identified Strategic Risks

Risk	Risks mitigation method	Monitoring Body
New Committee System	Project managed	Project Management Group
ICT – major systems	Managed in IT Strategy plan	Management Team Qtly Reports
Local Plan	Action Plan	Development Committee
Travellers	Dynamic action plan	Management Team
Financial Challenges	Managed via MTFS	Finance Committee
LCC Cost Sharing Agreement	Risk Action Plan	SRMG & Reports to Audit Committee

Risk Reports to the SRMG and Audit Committee will include updates on the LCC Cost Sharing Agreement Action Plan.

Reporting on the other strategic risks will be made to the SRMG and Audit committee on an exception basis only.

# 2015/2016 Risk Register

## Risk Management Action Plan No: 1

### Champion – Director of Development Services

Issue: LCC Cost Sharing	Description: LCC Cost Sharing Agreement for Refuse Collection
Council Objective	People / Places

Existing Controls in place
<ul style="list-style-type: none"> <li>Engaged in Lancashire Wide waste review – awaiting appointment of WRAP<sup>1</sup></li> <li>Politicians lobbying LCC</li> <li>Officers in regular meetings to push for alternatives</li> <li>Preparing options to consider on our own</li> <li>Recognised as a corporate responsibility</li> <li>Briefing leading members/group leaders</li> <li>High level risk in MTFS</li> <li>Outlined areas of concern that review is only looking at collection arrangements</li> <li>Input into scope of waste review</li> </ul>

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Regular representation at Lancashire wide waste meetings LWP <sup>2</sup> /OIG <sup>3</sup>	KW/SW	Regular attendance at meetings and issues fed back as necessary	Ongoing	Three times per year
Continue to lobby for Unitary Authorities to be in the review	KW	Outcome unlikely but if successful the review would include unitarys	July 2015	Issuing of waste review brief June 2015
Continue to lobby for any review to include disposal as well as collection	KW	Review would include collection and may give LCC potential for other savings to be achieved	July 2015	Issuing of waste review brief June 2015
Monitor through regular meetings of the OIG the need to mount a separate review	KW/SW	This would be a plan B and may just involve Fylde coast authorities should the need arise	Ongoing	Quarterly

<sup>1</sup> Waste Resource Action Plan

<sup>2</sup> Lancashire Waste Partnership

<sup>3</sup> Officer Implementation Group

## APPENDIX 2

Continue to raise the issue on the Lancashire Leaders/CEO agenda	AO	Keeps the issue high profile and so may result in other solutions be identified	Ongoing	Quarterly
Update reports to Operational Management and other committees	KW	Maintains full awareness of the implications to the council and ensures every opportunity is being taken to manage the impact	June 2015	June 2015
Standing item on Group Leaders meetings	AO	As above	Ongoing	Monthly
Continue to monitor financial impact via MTFS	PO'D	As above	Ongoing	Quarterly
In the event that the LCC review is not progressed or abandoned instigate an internal review of the service to identify as much saving as possible and considering all collection options		Achievement of savings to manage the impact of the reduction in income from LCC	March 2016	April 2016
Consider a corporate assessment of alternative saving options to contain the impact on the council should savings within the service not be achievable	Man Team	That revenue savings are achieved corporately to ensure a sustainable budget	June 2016	June 2016

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	25 JUNE 2015	6

## INTERNAL AUDIT ANNUAL REPORT 2014-15

### PUBLIC ITEM

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

#### SUMMARY

The Public Sector Internal Audit Standards (The Standards) require the Head of Internal Audit to provide an annual report to the Audit Committee. The Standards also specify that the report must contain:

- an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment), together with any qualifications to the opinion;
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

The report provides an opinion on the effectiveness of the Council's system of internal control in support of the Annual Governance Statement. It also summarises the work undertaken by internal audit from April 2014 to March 2015 and performance information for the same period.

#### RECOMMENDATIONS

1. To approve the annual report of the Head of Internal Audit
2. To confirm the report provides suitable assurance concerning the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes that are in place to achieve the objectives of the Council.

#### CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment ( <b>Place</b> )		To Encourage Cohesive Communities ( <b>People</b> )	
To Promote a Thriving Economy ( <b>Prosperity</b> )		To Meet Expectations of our Customers ( <b>Performance</b> )	√

## **SUMMARY OF PREVIOUS DECISIONS**

The internal audit interim report for 2014/15 was approved by the Audit Committee at its meeting on 29 January 2015.

## **REPORT**

### **1 Introduction**

#### **1.1 The Role of Internal Audit**

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

#### **1.2 Definition of Internal Audit**

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

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

#### **1.3 The Independence of Internal Audit**

1.3.1 Independence is the freedom from conditions that threaten the ability of internal audit to carry out internal audit responsibilities in an unbiased manner.

1.3.2 To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Head of Internal Audit has direct and unrestricted access to senior management and the Audit & Standards Committee.

1.3.3 Organisational independence is effectively achieved by the Head of Internal Audit reporting functionally to the Audit & Standards Committee. Examples of such functional reporting involve the committee in:

- Approving the internal audit charter,
- Approving the risk based internal audit plan,
- Receiving communications from the Head of Internal Audit on internal audit's performance relative to its plan and other matters,
- Making appropriate enquiries of management and Head of Internal Audit to determine whether there are inappropriate arrangements or resource limitations

#### **1.4 Purposes of the Report**

1.4.1 The Internal Audit Team is responsible to the Director of Resources for carrying out a continuous examination of the accounting, financial and other operations of the Council in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2011. The latter states that "the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

1.4.2 The PSIAS require that the Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The annual report must incorporate:

- the opinion (an objective assessment of the framework of governance, risk management and control)
- a summary of the work that supports the opinion
- a statement on conformance with the PSIAS
- the results of the quality assurance and improvement programme

1.4.3 The report also summarises the activities of internal audit for the financial year 2014-15 to provide managers and members with the opportunity to review the service provided to the Council.

## **1.5 Statement of Conformance with Public Sector Internal Audit Standards**

1.5.1 The Internal Audit service works to a new Charter approved by the Audit Committee in March 2015 that fully reflects the requirements of the PSIAS. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. The Internal Audit team is required to adhere to the code of ethics, standards and guidelines of relevant professional institutes and the relevant professional auditing standards.

1.5.2 Internal Audit has adopted, and complied with the principles contained in the PSIAS, and has fulfilled the requirements of the Accounts and Audit Regulations 2011 and associated regulations in respect of the provision of an internal audit service.

## **1.6 Quality Assurance and Improvement Programme**

1.6.1 All internal audit teams are required to develop a Quality Assurance and Improvement Programme (QAIP) that includes both internal and external assessments. Internal assessments include both ongoing monitoring and periodic self-assessment. External assessments must incorporate independent validation.

1.6.2 An internal assessment was carried out in September 2014 by the Head of Internal Audit using the recommended checklist contained within CIPFA's Local Government Application Note, which accompanies the PSIAS, and the results were presented to the Audit Committee. A small number of actions were identified that required attention to ensure the internal audit service was fully compliant with the PSIAS and the report sets out the current position.

1.6.3 In January 2015 the Audit Committee approved the approach whereby periodic external assessments of Internal Audit will take the form of a self-assessment subsequently validated by suitably qualified individuals or teams from members of the Lancashire District Councils Audit Group on a reciprocal basis across a 5 year cycle.

## **2 The Statement of Assurance**

### **2.1 Context**

2.1.1 The Council's internal auditors are required to provide the appropriate forum with assurance on the system of internal control. The Constitution has designated the Audit & Standards Committee with responsibility for considering the Head of Internal Audit's annual report and opinion.

2.1.2 In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Audit & Standards Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

2.1.3 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

## **2.2 Internal Audit Opinion**

2.2.1 We are satisfied that sufficient internal audit work for the year ended 31 March 2015 has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, internal control and governance processes.

2.2.2 In our opinion, reliance can generally be placed on the Council's control environment, particularly in the case of fundamental financial systems. However, there remain a small number of high priority findings to address. Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved in some areas.

2.2.3 The evidence to support the opinion is contained within this report.

## **2.3 Scope of the Internal Audit Opinion**

2.3.1 In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2015 (see Table Two for details of the opinions given during the year);
- The results of follow-up action taken in respect of audits completed;
- Whether or not any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risks;
- The results of external audit work during the year and any concerns expressed by the External Auditor;
- The results of any other external inspection or assessment;
- The effectiveness of the Council's risk management arrangements;
- The effectiveness of the Council's governance arrangements, including internal audit

## **2.4 Basis of the Opinion**

2.4.1 In reaching this opinion the following factors were taken into particular consideration:

### External Audit Work during 2014/15

2.4.2 The main part of the external auditor's work relates to the Council's financial accounts. The external auditor's Report to Those Charged with Governance for 2013/14 which was reported to the meeting of the Audit Committee on 25 September 2014, concluded that the Council's organisational control environment was effective overall, and that no significant weaknesses in controls over key financial systems had been identified. The report concluded that proper arrangements to secure economy, efficiency and effectiveness were in place. It also provided an opinion to verify that the Council had complied with all legal and regulatory frameworks with respect to its accounting arrangements resulting in an unqualified opinion.

2.4.3 The Annual Audit Letter, presented to the 20 November 2014 meeting, detailed the external auditor's view on performance and financial management. An unqualified value for money conclusion was issued meaning the Council was judged to have proper arrangements for securing both financial resilience and achieving economy, efficiency and effectiveness. An unqualified opinion was also issued on the financial statements meaning they gave a true and fair view of the Council's financial position. There were no high priority issues raised as a result of the audit work.

2.4.4 The Certification of Grants and Returns Report, reported to the 30 January 2015 committee, summarised the outcomes of the external auditor's certification work. An unqualified certificate was issued for the grant claim work.



### Other External Inspection

2.4.5 There were no other external inspections during 2014-15 to take into account.

### Risk Management

2.4.6 The Council's risk management framework is established by the Risk Management Strategy. It provides information on the approach, responsibilities, processes and procedures and sets the context in terms of how risks will be identified, profiled, managed and reviewed. The Strategic Risk Management Group is fundamental to the process and meets to ensure risk management remains high on the corporate agenda. There is also regular reporting to the responsible committee. The Audit & Standards Committee is designated as the elected member committee with responsibility for risk management.

2.4.7 The most recent audit review of the risk management process resulted in an action plan that was fully implemented in 2013/14. The implementation of the audit recommendations suggests that substantial reliance can reasonably be placed on the effectiveness of the Council's risk management arrangements. A further review is included in this year's internal plan.

### Governance

2.4.8 A self-assessment exercise was undertaken by the Chair and Vice Chair of the Audit Committee, supported by the Head of Internal Audit, in relation to the effectiveness of the former Audit Committee. The main conclusion drawn from the self-assessment was that the Audit Committee had the framework in place to act effectively and did so in practice. There were no new issues arising from the review, which was presented to the committee on 26 June 2014. A review of the Audit & Standards Committee will be held during the current financial year.

2.4.9 The Head of Internal Audit is a member of the Corporate Governance Group, which is charged with the compilation of the annual governance statement and improvement plan. As part of standard internal audit work, the corporate governance framework was also reviewed against the CIPFA/Solace Good Governance Framework and the addendum to the framework and revised guidance note issued in 2012. Any matters for improvement or development are included in the 2015 Annual Governance Statement.

### Internal Audit

2.4.10 The Accounts and Audit Regulations 2011 state that each local authority "must, at least once in each year, conduct a review of the effectiveness of its internal audit". The regulations go on to state that the findings of this review should be considered by a committee of the relevant body as part of the wider consideration of the Council's system of internal control.

2.4.11 Since 1 April 2013 the PSIAS have been the mandatory standards for all principal local authorities subject to the Accounts and Audit Regulations 2011. This year's review of the effectiveness of internal audit against the PSIAS checklist has indicated compliance with the principles within the Standards but a few areas of partial non-conformance. These were included in an action plan and the report sets out the current position.

### Internal Control

2.4.12 The Accounts and Audit Regulations 2011 require local authorities to conduct a review at least once in a year of the effectiveness of its system of internal control. This section of the report provides an opportunity for the Committee to consider the work of Internal Audit and whether the outcomes provide evidence of a satisfactory level of internal control within the organisation.

2.4.13 During the financial year 2014-15 thirteen reports were issued. All have been accepted by management and in all appropriate cases action plans are now in place. The agreed reports and action plans are available to view via the Internal Audit Work page on the Intranet.

2.4.14 We categorise recommendations arising from audit work as high, medium or low priority. High indicates a significant control weakness that may 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 improvements or enhancements to procedures that merit management attention.

2.4.15 We also measure the overall level of assurance based on the adequacy and effectiveness of internal control in a system on a five-point scale. Table one sets out the assurance levels and definitions as follows:

**Table One: Levels of Assurance**

Level	Definition
5 Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
4 Substantial Assurance	While there is basically a sound system of control, there are some minor weaknesses, which put some of the system objectives at risk
3 Moderate Assurance	While there is on the whole a sound system of control, there are some more significant weaknesses that may put some of the system objectives at risk
2 Limited Assurance	There are significant/serious weaknesses in key areas in the systems of control that put the system objectives at risk
1 No Assurance	The control framework is generally weak leaving the system open to significant error or abuse

2.4.16 Table Two shows the category of recommendations identified for each audit completed, together with the level of assurance for the system reviewed.

**Table Two: Reports, Risk & Assurance**

Audit Area	High Risks	Medium Risks	Low Risks	Assurance Level
Individual Electoral Registration <sup>1</sup>	-	1	2	Full
Business Continuity <sup>1</sup>	6	17	6	Limited
Data Quality - Sickness PI <sup>1</sup>	-	-	-	Moderate
Corporate Governance	-	7	5	Substantial
Council Tax - FCAT	-	-	-	Full
Business Rates - FCAT	-	-	-	Full
Fleet Management	-	10	3	Moderate
Ethical Governance	-	6	9	Moderate
Waste Service Management <sup>2</sup>	-	6	4	-
IT Civica Financials Application	-	5	-	Substantial
Sundry Debtors	-	3	-	Full
Council Tax <sup>3</sup>	-	-	4	Substantial
Fuel Cards	-	-	7	Full
<b>Total</b>	<b>6</b>	<b>55</b>	<b>40</b>	

<sup>1</sup> Reviews from 2013/14 finalised in 2014/15

<sup>2</sup> Non-assurance review

<sup>3</sup> Joint audit with Blackpool Council

2.4.17 Table Three shows both the average and main system assurance scores for those systems reviewed by Internal Audit over the last five years and the average for the same period:

**Table Three: Assurance Ratings**

<b>Audit Area</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>5 Year Average</b>
All Reviews Average	3.3	3.7	3.8	<b>3.7</b>	4.0	<b>3.7</b>
Main Financial Systems:	4.2	4.2	4.4	4.5	4.5	4.4
<i>Business Rates</i>	4.5	*	~	4.7	~	4.6
<i>Cash Collection</i>	3.8	3.8	*	4.7	*	4.1
<i>Council Tax</i>	*	~	4.5	4.7	4.4	4.5
<i>Creditors</i>	4.4	*	4.4	*	°	4.4
<i>Housing Benefits</i>	4.0	*	4.4	*	~	4.2
<i>Main Accounting</i>	*	4.3	*	4.6	*	4.5
<i>Payroll</i>	3.6	*	*	3.6	*	3.6
<i>Sundry Debtors</i>	4.6	*	4.3	*	4.6	4.5
<i>Treasury Management</i>	*	4.6	*	4.7	*	4.7

\* Not undertaken

~ Reviewed via FCAT

° Review ongoing

2.4.18 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 4.0. Main financial systems had a better average score of 4.5. The 'All Reviews' figure shows an improvement compared to last year and exceeds the average score over the five year period. The figure for 'Main Financial Systems' remains the same as last year and represents the highest average score achieved.

2.4.19 The 'Main Financial Systems' score equates to full assurance, while the 'All Reviews Average' remains the equivalent of substantial assurance. Taken together they indicate that overall there is a sound framework of control in place but some weaknesses may put certain management objectives at risk.

2.4.20 Several important internal control weaknesses brought to the attention of management were monitored during the year. Six of these actions relate to one area of work and form part of a specific improvement process. All have already been included previous reports.

2.4.21 Table Four sets out the issues, the responsible Director and the current position or date for resolution.

**Table Four: High Priority Risks Identified**

<b>Risk</b>	<b>Director</b>	<b>Resolution Date</b>
<b>2013/14 Risks</b>		
1. Develop and test an effective Disaster Recovery Plan for ICT Services	Resources	Completed <sup>1</sup>
2. Carry out a full Business Impact Analysis (BIA) to identify critical services	Resources	Completed
3. Develop an effective and current Corporate Business Continuity Plan arising from the BIA and reflecting existing risks and structures	Resources	Mar 2015
4. Hold a copy of the Corporate Business Continuity Plan off site in a safe accessible place not dependent on a functioning ICT system	Resources	Mar 2015

5. Develop effective Business Continuity Plans for all critical services	Resources	Completed <sup>1</sup>
6. Provide training for key business continuity personnel	Resources	Completed
7. Conduct an annual exercise to test the Council's planned response to business disruption	Resources	Sep 2015

<sup>1</sup> Subject to evidential verification

2.4.22 The present position in summary based on the evidence available is as follows:

- Two risks have been addressed in full and evidence verified - numbers 2, 6
- Two risks have been reported as complete but subject to evidential verification - numbers 1, 5
- One action has not yet reached the agreed date for completion - number 7
- Two actions have passed the agreed date for completion but remain outstanding - numbers 3, 4

2.4.23 In terms of the outstanding actions we are advised by responsible managers as follows:

- Risk 3 - The corporate Business Continuity Plan will be completed by 31 July.
- Risk 4 - This is contingent on completion of the action above and will be completed concurrently.

#### Follow Up

2.4.24 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Sixteen follow-up reviews were completed during the year. Table Five shows the total number of agreed recommendations that were implemented by managers.

**Table Five: Agreed Recommendations Implemented**

Audit Area	R e c o m m e n d a t i o n s		
	Total Agreed	Number Implemented	% Implemented
<b>Previous Years' Reports</b>			
Trade Waste	7	7	100%
Treasury Management	2	2	100%
FMS/MOT Service	20	20	100%
IT Contract Management	3	3	100%
Corporate Governance 2013	17	17	100%
Main Accounting	3	3	100%
Data Protection (Resources)	20	19	95%
Travel & Expenses	15	13	87%
Development Management - PIP Action Plan	9	9	100%
Homelessness	16	15	94%
Payroll	8	8	100%
Heritage Assets	10	7	70%
Cash Collection	2	2	100%
Mayoralty	12	11	92%
Council Tax/Business Rates Collection	6	6	100%
<b>2014-15 Reports</b>			
Individual Electoral Registration	3	3	100%
Total	153	145	94.8%

2.4.25 The overall implementation rate for all reports followed up in 2014/15 is 94.8% compared to last year's figure of 90.1%. This year's outcome is above the target of 90%.

2.4.26 In addition to the overall rate, the percentage of high and medium priority recommendations implemented is also measured. Table Six shows the total number of agreed high and medium recommendations that were implemented by managers. Any follow up reviews where no high or medium recommendations were made have been omitted from the table.

**Table Six: High & Medium Recommendations Implemented**

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
Previous Years' Reports					
Trade Waste	-	-	2	-	100%
FMS/MOT Service	-	-	17	-	100%
IT Contract Management	-	-	2	-	100%
Corporate Governance 2013	-	-	6	-	100%
Data Protection (Resources)	-	-	11	1	92%
Travel & Expenses	-	-	9	2	82%
Development Management - PIP Action Plan	-	-	5	-	100%
Homelessness	-	-	13	1	93%
Payroll	-	-	5	-	100%
Heritage Assets	-	-	5	3	63%
Cash Collection	-	-	1	-	100%
Mayoralty	-	-	6	-	100%
Council Tax/Business Rates Collection	-	-	2	-	100%
2014-15 Reports					
Individual Electoral Registration	-	-	1	-	100%
Total	-	-	85	7	92.4%

2.4.27 The classification of recommendations as 'high', 'medium' or 'low' priority indicates where resources might best be applied. The percentage of high and medium priority recommendations implemented in 2014/15 was 92.4% compared to last year's 86.1%. This result is below the target of 95%.

2.4.28 Table Seven shows both the overall and 'high/medium' priority implementation rates for those reviews followed up by Internal Audit over the last five years and the average for the same period:

**Table Seven: Annual Implementation Rates**

Category	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Overall Implementation %	94.9	84.4	92.1	90.1	94.8	91.3
High/Medium Implementation %	93.1	84.3	91.7	86.1	92.4	89.5

2.4.29 The rates of implementation by managers have improved from last year's figures. For 2014/15 the annual overall rate of implementation was the second highest achieved in the five-year

period, while the percentage of high and medium priority recommendations implemented also ranked at the same level. Both were above the five-year average score.

### 3 Other Internal Audit Work

#### 3.1 Special Investigations and Counter Fraud Work

##### Investigations

3.1.1 During the year the audit team commenced five special investigations into allegations of fraud and corruption. Four of these arose as a result of employee whistleblowing concerns. One was reported by a member of the public. The responsible Directors/Heads of Service were made aware of the various issues as appropriate. In four cases the matters raised have been completely resolved but the evidence in one case was inconclusive. Currently the whistle blower is unwilling to proceed further with the matter.

3.1.2 Table Eight summarises the results of the various special investigations during 2014/15 compared with the outturn for previous years.

**Table Eight: Results of Fraud Investigations**

<b>Outcome</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Disciplinary action	-	1	-	-	1
Management action	-	-	-	-	2
Third party restitution	-	-	1	-	-
No evidence to support allegation	-	1	2	-	1
Inconclusive evidence	-	-	-	1	1
Investigation terminated	1	-	-	1	-
Investigation ongoing	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>5</b>

3.1.3 Altogether some 58 days have been taken up dealing with special investigations and reactive fraud work during the year. The Council has adopted a zero tolerance commitment to fraud and corruption and the amount of investigative work required is not predictable. However, this year its impact on the achievement of the audit plan has been significant.

##### Whistleblowing

3.1.4 There were four instances of employee whistleblowing during 2014/15. Two related to allegations of fraud, mentioned above, while the other two were in connection to alleged inappropriate behaviour by supervisors and suggested poor management practice that were separately addressed by management.

##### National Fraud Initiative

3.1.5 The Head of Internal Audit acts as key contact for the National Fraud Initiative data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and licensing information for a data matching exercise.

3.1.6 The previous biennial exercise revealed overpayments totalling of £74,000 with ongoing savings in future years. The current 2014/2015 exercise is ongoing with the latest phase having commenced during January/February 2015 involving the comparison of datasets from council tax to

the electoral register. The Council is currently participating in the Council Tax Reduction pilot matching scheme, which will result in further matches for investigation.

#### Shared Fraud Service

3.1.7 The Head of Internal Audit is responsible for overseeing the delivery of the shared fraud service provided by Preston City Council. During 2014/15 this related to the investigation of housing benefit and council tax reduction scheme fraud. Fraudulent and other overpayments of £233,666 were discovered, exceeding the £200,000 target. The service also delivered 27 sanctions including 7 prosecutions, which was below the agreed target of 30.

3.1.8 The Head of Internal Audit has also taken the leading role in developing arrangements for the corporate fraud service after responsibility for the investigation of housing benefit fraud transferred to the Department for Work & Pensions. A new shared service with Preston City Council is now in place, effective from the 1 June.

#### Counter Fraud Work

3.1.9 In addition to the above, internal audit has undertaken the following counter fraud work, which is not an exhaustive list:

- prepared and submitted data and statistics to the National Fraud Survey 2014 of over 450 public sector bodies about a wide range of fraud and corruption issues, which seeks to assess the incidence of fraud and the effectiveness of responses to it
- performed a 'fitness for purpose' check and comprehensive refresh of the Council's Anti-fraud & Corruption, Whistleblowing, Money Laundering and Sanction & Prosecution policies

### **3.2 Projects, Consultancy and Advice**

3.2.1 This section summarises the range of services, beyond internal audit's assurance role. Such work may be requested by senior managers, rather than forming part of the risk-based audit function. Commonly, tasks 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 participation in projects, facilitation, process design, training, and advisory services, but this list is not exhaustive.

3.2.2 During the year 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 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 and the monitoring of the Corporate Governance Improvement Plan.
- Strategic Risk Management - jointly led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management workshop along with the Risk & Emergency Planning Officer.
- Corporate Fraud – drafting and negotiating the new service level agreement with Preston City Council for the newly established shared corporate fraud service.

## **4 Performance of Internal Audit**

### **4.1 Internal Audit Plan**

4.1.1 A risk assessed annual audit plan was prepared for 2014-15 based on the resources available. The plan was agreed by management and received approval from the Audit Committee. The total number of days in the plan was 573, not including time for things such as holidays, sickness, training and non-audit duties.

4.1.2 However, during 2014/15 various changes to the team and recruitment problems significantly impacted on the time available to achieve the annual plan. A total adjustment of 140 days was required to take account of the reduced resources available. A detailed report to the Audit Committee in January 2015 set out the position and an appropriate reduction to the plan was confirmed.

4.1.3 The revised plan omitted 118 days by not undertaking planned work and ultimately the remaining days were saved from within the audits in progress. The plan prioritised the audits of the remaining fundamental financial systems, follow up reviews of audits already undertaken, significant corporate matters and the conclusion those audits already commenced. The results are set out in Table Nine.

**Table Nine: Internal audit plan**

Audit Activity	Plan days	Revised days	Actual days	% of total
Main Financial systems	120	105	79	18.4
Risk Based Reviews	106	52	35	8.2
Corporate Governance	41	44	46	10.7
Performance Management	4	2	2	0.5
Computer audit	26	16	13	3.0
Anti-fraud audit	26	10	16	3.7
Follow Up work	20	30	34	7.9
Reactive audit	35	5	5	1.2
Reactive fraud	15	55	61	14.2
Communication & Consultancy	44	31	32	7.5
Management & Admin	136	105	106	24.7
Total	573	455	429	100%

4.1.4 The analysis of outturn days shows additional days were saved in completing the main financial reviews and the risk based reviews, however some slippage of work into 2015/16 did occur. For all other categories a reasonably similar time was spent when compared with the revised plan.

4.1.5 The changes to the audit plan inevitably resulted in a reduced level of audit coverage overall but the compromise plan represented the best use of time available in the prevailing circumstances. The percentage of the revised 2014/15 audit plan completed at 31 March was 98.1%, above the 90% target for the year.

## 4.2 Client Satisfaction

4.2.1 All audit reports issued include a client feedback questionnaire for the auditee to give their views on the different aspects of the audit. The overall satisfaction rate was 88.6% just below the 90% target. Table Ten sets out the questions and the responses received.

**Table Ten: Summary of Client Feedback Questionnaires**

Question	Average Score	Excellent %	Good %	Satis %	Fair %	Poor %
Audit review covered key control risks	89	57	43	-	-	-
Review was carried out in a timely and efficient manner	89	71	29	-	-	-
Auditors were polite, positive and professional	91	71	29	-	-	-
Involvement of auditee in the process	89	71	29	-	-	-



was appropriate

Well structured and clear audit reporting

Findings and recommendations were accurate and useful

Review provided assurance or resulted in beneficial change

Average

90

71

29

-

-

-

87

57

43

-

-

-

86

57

43

-

-

-

89

65

35

-

-

-

### 4.3 Performance Indicators

4.3.1 In 2009 an exercise was carried out to canvass the views of stakeholders about developing a suite of performance indicators for internal audit. Subsequently the Audit Committee adopted the seven indicators that had received the highest usefulness rating from stakeholders and established targets for achievement. Table Eleven sets out the targets for 2014/15, together with the actuals for the two most recent years.

**Table Eleven: Performance Indicators for Internal Audit**

Performance Indicator	Target	Actuals 2013/14	Actuals 2014/15
IA1 % of audit plan completed	90%	95.0%	98.1% <sup>1</sup>
IA2 % satisfaction rating indicated by post-audit surveys	90%	89.6%	88.6%
IA3 % of audit recommendations agreed with management	95%	97.4%	100%
IA4 % of agreed actions implemented by management	90%	90.1%	94.8%
IA5 % of 'High Priority' actions implemented by management	100%	100.0%	50.0%
IA6 % of 'High/Medium Priority' actions implemented by management	95%	86.1%	92.4%
IA7 % of recommendations implemented at initial follow up	75%	74.6%	73.9%

<sup>1</sup> Revised Audit Plan

4.3.2 The first two performance indicators reflect specifically on the work and service of the internal audit team. The remaining indicators relate to the effectiveness of audit work as a result of management's action or inaction.

### 4.4 Quality Assurance Improvement Programme

4.4.1 Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving internal audit operations

4.4.2 The Head of Internal Audit is ultimately responsible for the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodic, while external assessments must be undertaken at least once every five years, arrangements for which were agreed by the Audit Committee.

4.4.3 Ongoing internal assessments are conducted through:

- Supervision of engagements

- Documented review of work papers during engagements by the Head of Internal Audit/Senior Auditor
- Audit policies and procedures used for each engagement including the Procedure Manual to ensure compliance with applicable planning, fieldwork and reporting standards
- Feedback from customer surveys on individual engagements
- Analysis of key performance indicators established to improve Internal Audits effectiveness and efficiency
- All draft and final reports and recommendations are reviewed and approved by the Head of Internal Audit

4.4.4 Certain information that contributes to the ongoing assessment are included in this report, such as feedback from customer surveys and analysis of key performance indicators.

4.4.5 Periodic internal assessments are designed to evaluate conformance with Internal Audit's Charter, the Public Sector Internal Audit Standards, Definition of Internal Auditing, the Code of Ethics. The Head of Internal Audit carried out such a review and presented a report to the Audit Committee at the September meeting that included an action plan for improvement.

4.4.6 Table Twelve sets out the issues and the current position or date for resolution:

**Table Twelve: QAIP Improvement Action Plan**

Action	Resolution Date	Status
<b>2014/15 Improvement Actions</b>		
1. Present a report to Audit Committee with proposals for periodic external assessment of internal audit	Mar 2015	Completed
2. Include the results of the QAIP and progress against any improvement plan in the annual report	Mar 2015	Completed
3. Refresh the IA Procedure Manual to ensure compliance with the requirements of the PSIAS	Sep 2015 <sup>1</sup>	In progress
4. Amend audit reports to state the extent to which audits are conducted in accordance with the PSIAS	Oct 2014	Completed

<sup>1</sup> Extension from Mar 2015

IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2011 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>There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control (Accounts and Audit Regulations 2011)</p>
Legal	Internal Audit work contributes towards the production of the Annual Governance Statement published each year by the Council.
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Interim 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.

LEAD AUTHOR	TEL	DATE	DOC ID
Savile Sykes	01253 658413	25 June 2015	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Audit Plan 2014/15	March 2014	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail <a href="mailto:saviles@fylde.gov.uk">saviles@fylde.gov.uk</a>
Quality Assurance Improvement Programme	September 2014	
Revised Audit Plan 2014/15	January 2015	

# INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	25 JUNE 2015	7

## REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to June 2015, there were no authorised operations.

### SOURCE OF INFORMATION

Director of Resources

### LINK TO INFORMATION

<http://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/131/Committee/23/Default.aspx>

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

Regulations under the Regulation of Investigatory Powers Act 2000 ("RIPA") require councillors to consider a report on the use of RIPA at least quarterly.

### FURTHER INFORMATION

Contact Ian Curtis on 01253 658506 or at [ianc@fylde.gov.uk](mailto:ianc@fylde.gov.uk).

# INFORMATION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT AND STANDARDS COMMITTEE	25 JUNE 2015	8

## YEAR END PERFORMANCE 2014/15

### PUBLIC ITEM

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

### SUMMARY OF INFORMATION

The report provides details of the key performance outcomes for the whole of the financial year 2014/15. Performance is reported against the targets set for the year and commentary is provided by exception.

### SOURCE OF INFORMATION

Audit & Standards teams input data into the InPhase corporate online system from service based performance data.

### LINK TO INFORMATION

[www.fylde.gov.uk/performance](http://www.fylde.gov.uk/performance) - Full Corporate Performance for Fylde Council

<http://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/131/Committee/23/Default.aspx> - Year End Performance for the Audit and Standards Committee Remit.

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

The performance information is relevant to the committee terms of reference and the responsibility of the committee to monitor performance of the services within its remit.

### FURTHER INFORMATION

Contact Alex Scrivens, Performance Improvement Officer.