

## Audit Committee



Date	Friday 29 June 2007
Venue	Town Hall, Lytham St Annes
Committee members	Keith Hyde (Chairman), Paul Rigby, Paul Hayhurst, Simon Renwick, Albert Pounder (substitute for John Singleton), John Davies (for Kathleen Harper) and Patricia Fieldhouse (substitute for Councillor John Coombes)
Other Councillors	
Officers	Phillip Woodward, Tracy Scholes, Savile Sykes, Andrew Wilsdon, Brian White
Others	Mike Thomas (Audit Commission) and Richard Foster (KPMG)

### 1. Declarations of interest

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

### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 29 March 2007 as a correct record for signature by the chairman.

### 3. Substitute members

Councillor Albert Pounder for Councillor John Singleton, Councillor Patricia Fieldhouse for Councillor John Coombes and Councillor John Davies for Councillor Kathleen Harper.

### 4. Audit and Inspection Plan 2007/08

Mike Thomas (the Audit Commission's Relationship Manager for the Council) together with Richard Foster (KPMG) presented the Annual Audit and Inspection Plan 2007/08. Mr. Thomas reported that the Council's Auditors in 2007/08 would be KPMG but residual Audit Commission activity would run up until around the end of the year.

Mr. Thomas explained that the Audit Plan proposed what activity would be undertaken within 2007/08 the Plan being based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment.

The level of audit fees for 2007/08 was questioned to gauge what level they stood at in comparison to other Lancashire Councils. Mr. Thomas explained that although the charges were not the highest amongst the Lancashire authorities that they remained

relatively high as a consequence of the Council's 2003 CPA rating and other assessments such as the Use of Resources Assessment.

RESOLVED That the Audit Committee notes the content of the Audit and Inspection Plan for 2007/08.

5. Annual Audit and Inspection Letter/Use of Resources - Action Plans

Philip Woodward, Chief Executive outlined that he together with members of the Council's Management Team had produced Action Plans both in response to the Annual Audit and Inspection letter and the Use of Resources Assessment. These plans identified a series of proposed actions to address issues raised by the Audit Commission requiring an increased level of performance.

It was the intention that the Audit Committee would include the monitoring of these Action Plans within its Work Programme to ensure that targets were met.

RESOLVED (i) That the Action Plans be approved.

- (ii) That the Audit Committee includes a regular three monthly review of progress made against the various actions within the Annual Audit and Inspection Letter/Use of Resources Action Plans.

6. Strategic Risk Register

A report was presented outlining the work undertaken to produce the Council's Strategic Risk Register for 2007-2008, and the annual review of the Risk Management Strategy.

It was outlined that the Strategy had been refreshed and improved as a result of an internal audit inspection and a revised version of the Strategy was presented for approval.

The process for identifying the council's major strategic risks was also outlined within the report. This was a rigorous process in which risks were identified and priorities involving senior managers and members.

As a result six risks were identified for the forthcoming financial year which focused on:

*Local government reform*

*Organisational development*

*Accommodation*

*Affordable housing*

*Local employment*

*Financial issues*

Action Plans had been developed for each of these areas which would be monitored throughout the year by the Council's Strategic Risk Management Group.

Members felt that the action in the Affordable Housing Plan with respect to providing training on housing issues within the member induction and awareness sessions should be

accelerated from its anticipated delivery date in March 2008 to an earlier date. Mr. Woodward, Chief Executive, suggested that this issue could be picked up as part of the Learning Hours planned within the member induction programme.

RESOLVED (i) that the Strategic Risk Register for 2007/08 is endorsed subject to the Affordable Housing Section showing acceleration in the member awareness training planned on affordable housing.

(ii) That the Risk Management Strategy (reviewed in June 2007) be approved.

#### 7. Internal Audit Annual Report 2006/07

Mr. Sykes, Head of Internal Audit presented the Internal Audit Report for 2006/07.

The report contained detail of how internal audit resources had been utilised throughout the year in terms of audits undertaken and other non-audit activity. It went on to give an overview of reports issued to various Executive Managers. For each audit undertaken an assurance rating was provided indicating the level of control weaknesses identified in each audit together with an overall assurance rating on a scale from 5 meaning the system is performing well down to a level of 1 indicating that the level of control is unacceptable. For those main systems reviewed in 2006/07 the average score was 3.4 on the scale of 1 to 5, an overall improvement on the previous year. The report evaluated that the score affirmed that the overall control framework was adequate although some controls within systems were not operating effectively.

However it was noted that no assurance rating could be provided for the main accounting system adopted in November 2006, which could not be reviewed as a result of enduring operating difficulties in the accountancy team. In addition there were six areas of weakness brought to the attention of the Section 151 Officer during the course of the year, the details of which were provided in the agenda papers.

Mr. Sykes then provided an overview of follow up work undertaken to appraise post audit actions in terms of the implementation rate by managers of the high, medium and low recommendations that they had accepted and agreed to implement to improve internal control as a result of an audit.

Members were concerned that the level of implementation had declined from 72% in 2005/06 to 63%. Mr. Sykes outlined that a number of these audits had been conducted in 2005 and at some point a line had to be drawn on the audit and its success in terms of eventual implementing rates. However, members were concerned that this resulted in the Audit Team re-tracing old ground when these areas arose within the Audit Plan in future years. Mr. Sykes was requested to remind managers of the recommendations they had agreed to implement and provide a further report in six months time outlining the number of high and medium recommendations still outstanding on the audits identified in Table 7 of the report.

RESOLVED (i) That the contents of the Annual Audit Report for 2006/07 are noted

(ii) That a further report be included within the Work Plan of the Committee for six months time outlining the implementation

rate/number of outstanding high and medium recommendations relating to audit activity as follows:

- Sundry Debtors 05/06
- Creditors 05/06
- Post opening
- Payroll
- Treasury Management
- Creditors 06/07
- Sundry Debtors 06/07
- Cash collection

#### 8. Employee Survey - Tackling Foul Play

Mr. Sykes, Head of Internal Audit reported that his team had recently completed an employee survey - 'Tacking Foul Play' based on an Audit Commission template. The purpose of the survey was to assess employees' awareness and perceptions of the effectiveness of the Council's anti-fraud arrangements and the report presented the findings of the survey.

The report concluded that employee awareness of the arrangements to combat fraud and corruption is good and that confidence in its effectiveness was high. In general, these levels of confidence were reported to be significantly above the national average.

RESOLVED - That the committee recognises that the Council's anti-fraud culture is robust and endorses the overall findings.

#### 9. Statement of Accounts

The Chairman accepted that this additional report should be considered by the committee as a matter of urgency in accordance with Section 100 of the Local Government Act 1972 (as amended).

Mr. White, Executive Manager for Finance, reported that over the last three years the statutory deadline for the approval of the statement of accounts had been brought forward to 30 June from 30 September. Whilst this date was achieved in the first year of implementation in 2006, 2007 had presented a number of problems resulting in this date not being achieved. Mr. White reported that these difficulties focused on:

- The implementation of new financial management systems

## Audit Committee Minutes - 29 June 2007

- Recent high staff turnover figures
- Recent long-term senior sickness absence

It was noted that the Audit Commission continued to raise the bar with reference to standards expected in terms of Use of Resources Assessment and to this end the Cabinet had recently approved the recruitment of an extra member of staff in the accountancy team to assist in particular in activity regarding the close down of accounts. Mr. Woodward outlined from an extract of an item published in a recent addition of the Municipal Journal by a Chief Financial Officer from another local authority that these difficulties were not just restricted to Fylde Borough Council but were nationwide issues.

Mr. White said he had gone out to the marketplace and had yet to shortlist the applicants. Members outlined that it was vital that the successful candidate had the necessary skills associated with the close down of accounts.

RESOLVED (i) That members note the current difficulties in the Accountancy Section which will result in the Statement of Accounts being approved in July rather than the intended deadline of 30 June.

- (ii) That the Audit Committee meet at 7 p.m. on Thursday 26 July 2007 to approve the Statement of Accounts for 2006/07.
- (iii) That a further review of the Accountancy Section be carried out in September 2007 as part of a review of the close down process to the Audit Committee.

### 10. Statement of Internal Control

The Chairman accepted that this additional report should be considered by the committee as a matter of urgency in accordance with Section 100 of the Local Government Act 1972 (as amended).

Mr. Sykes, Head of Internal Audit explained that the Council was responsible for ensuring that its business was conducted in accordance with the law and the proper standards, and that public money was safeguarded and accounted for, and used economically, efficiently and effectively. The Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised.

It was outlined that this duty was discharge by ensuring that there was a sound system of internal control. This system identified a number of risks to be managed to bring risk down to an acceptable level. The report went onto discuss the key elements of the Council's internal control environment and reviewed its effectiveness.

A number of control issues had been identified for improvement and these were presented in a combined Internal Control and Corporate Governance Action Plan.

RESOLVED That the Statement on Internal Control (June 2007) and the associated Action Plan are adopted and included within the Council's Statement of Accounts.



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