Agenda

Audit Committee

Date:	Thursday, 26 June 2014 at 6:15 pm
Venue:	Town Hall, St Annes, FY8 1LW
Committee members:	Councillor John Singleton JP (Chairman) Councillor Brenda Ackers (Vice-Chairman) Councillors Ben Aitken, Christine Akeroyd, Leonard Davies, Howard Henshaw, Ken Hopwood, Linda Nulty, Louis Rigby

The code of conduct for members can be found in the council's constitution at
www.fylde.gov.uk/council-and-democracy/constitution

Minutes

Audit Committee

Date:	Thursday, 20 March 2014
Venue:	Town Hall, St Annes
Committee members:	Councillor John Singleton JP (Chairman) Councillors Brenda Ackers, Ben Aitken, Christine Akeroyd, Leonard Davies, Linda Nulty, Louis Rigby
Officers:	Dean Francis, Katharine McDonnell, Tracy Morrison and Paul O'Donoghue

1. Declarations of interest

Members were reminded that any disclosable pecuniary interests should be declared as required by the Localism Act 2011 and any personal or prejudicial interests should be declared as required by the Council's Code of Conduct for Members. There were none on this occasion.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 30 January 2014 as a correct record for signature by the Chairman.

3. Substitute members

There were no substitutions.

4. Internal Audit Annual Plan 2014/2015

Dean Francis, Senior Auditor presented the Internal Audit Annual Plan for 2014/2015. He explained that the plan was designed to meet the standards for internal audit as laid out in the Public Sector Internal Audit Standards (PSIAS). He further explained that the plan was designed to support an annual opinion on the effectiveness of systems of governance, risk management and internal controls across the Council. The work detailed in the plan would form part of the evidence base which enables the Chief Executive and the Leader of the Council to sign off the Annual Governance Statement. The external auditors placed reliance on the plan (and therefore the work coverage of internal audit) to ensure that system controls and checks were effective, this in turn reduced the amount of testing required by the external auditor.

Mr Francis drew the Committee's attention to section 6 of the report which detailed how the formulation of the Audit Plan was undertaken and what was considered. He also explained how audit reviews were prioritised on the basis of risk assessment.

Mr Francis explained that the plan was a working document and was subject to change over the coming year as different needs and priorities emerged. He advised that the plan was linked to the corporate plan. He explained that the plan itemised areas of work to be undertaken, a short description of the work to be undertaken and the number of days the work was expected to take.

The Committee asked questions regarding IT, specifically whether the support available and provided to Councillors was subject to audit and if the IT Security Policy had been updated, having been identified by the external auditors as an area of concern. Mr Francis advised that Councillors were not currently sampled for audit purposes and the IT Security Policy had been updated.

It was RESOLVED that the Internal Audit Annual Plan for 2014/2015, be approved.

5. Counter Fraud Policies – Annual Review

Dean Francis, Senior Auditor presented the annual review of Counter Fraud Policies. He advised that all counter fraud policies, including:

- Anti-fraud and Corruption Policy
- Anti-fraud and Corruption Strategy
- Whistleblowing Policy
- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Forensic Readiness Policy

had been reviewed to ensure that there was an effective and up-to-date framework for countering fraud and corruption was maintained.

Mr Francis further advised that the only substantial changes to the policies was in regard to benefits. Council Tax Benefit was abolished in April 2013 and replaced by the Council Tax Reduction Scheme and as such, a new Council Tax Reduction Scheme Sanctions Policy was proposed. Mr Francis explained that this new sanction policy was not dissimilar to that in place for dealing with Council Tax Benefit fraud and continued the Council's robust approach to dealing with fraud.

Mr Francis provided a brief overview of the Sanctions Policy including the triggers, the sanctions available and reporting arrangements.

Mr Francis advised that in the year to March 2014 there had been 9 completed prosecutions, 1 prosecution due to be summoned before the end of the financial year, 23 cautions and 4 administrative penalties.

The Committee asked if the £2000 threshold for prosecutions was a national threshold or below that figure prosecutions were not cost effective. Mr Francis undertook to provide the information to Committee at the next meeting, however he and Mr O'Donoghue, Section 151 Officer, stressed that all instances of overpayment or fraud were investigated, chased and recovered even if under £2000.

It was RESOLVED to approve the Counter Fraud Policy documents.

6. Regulation of Investigatory Powers Act 2000: Authorisations

A quarterly report on the Regulation of Investigatory Powers Act 2000: Authorisations, was presented to Committee. It was noted that for the quarter to January-March 2014, there were no authorised operations.

It was RESOLVED that the Committee note the information in the report.

REPORT

REPORT OF	MEETING	DATE
RESOURCES	AUDIT COMMITTEE	26 JUNE 2014

PLANNING CODE

PUBLIC ITEM

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

SUMMARY

The report sets out a suite of revisions to update and refresh the present member/officer protocol for planning.The revisions take into account changes made by the Localism Act 2011, restate the roles of members and officers in the planning process and introduce a "pause for thought" where a decision is proposed to be taken contrary to officer recommendation.

RECOMMENDATIONS

1. Recommend to the Audit Committee that it recommends that the council adopt the revised Member/Officer Protocol for Planning as set out with this report to replace the existing protocol as part 5d of its constitution.

CABINET PORTFOLIO

This item falls within the following cabinet portfolio(s):

Planning and Development   -   Councillor Dr Trevor Fiddler

SUMMARY OF PREVIOUS DECISIONS

Audit Committee, 21 March 2013: Consideration of the report be deferred until the next available Audit committee meeting to enable consultation with members of the Development Management Committee regarding the proposed revised protocol for planning.

Development Management Committee, 2 April 2014:Recommended that Audit Committee recommend Council to adopt the revised code to replace the existing protocol, subject to one specified amendment

REPORT

BACKGROUND

1. In July 1997, the Committee on Standards in Public Life (Nolan Committee) published *"Standards of Conduct in Local Government in England, Scotland and Wales"*. Recommendation 35 said that *"Planning committees should consider whether their procedures are in accordance with best practice, and adapt their procedures, if necessary, setting them out in a code available to councillors, council staff and members of the public"*.

2. Fylde subsequently adopted a local code of good practice in planning matters. The code is now known as the Member/Officer Protocol for Planning. Apart from minor changes in wording, the protocol has been in its present form for at least eleven years. The code appears as part 5d of the council's constitution.

3. The passage of time, changes to the wider ethical framework and particular issues in connection with the decision-making process in planning made it appropriate to look again at the protocol and recommend changes for the committee to consider recommending to the council.

4. The committee considered a draft revised protocol at its meeting on 21 March 2013 and recommended that the proposals be discussed by members of Development Management Committee before being further considered by the committee and passed to the council for formal endorsement.

5. Development Management Committee considered the revised protocol at its meeting on 2 April 2014 and recommended that Council adopt the it as circulated to replace the existing protocol as part 5d of its Constitution, save for the addition of the word "normally" after "Not" at the start of paragraph 10.7. That change has been incorporated into the draft appended to this report.

THE PROPOSALS

6. Before being placed before members, proposals for a revised protocol were worked up through a process involving input from the chairman and vice-chairman of the Development Management Committee, the portfolio holder for Planning and Development, other leading councillors, the Monitoring Officer, the Director of Development Services and other officers from the Resources and Development Services directorates. The proposed new protocol is set out below. The existing protocol is also shown to assist members to identify the proposed changes.

7. Some of the changes are intended to correct outdated references to the previous ethical framework, which has been replaced by changes under the Localism Act 2011. Other changes are intended to restate and reinforce the distinct but complementary roles of members and officers at Development Management Committee. Paragraphs 8 and 10 of the proposed revised protocol are the core parts dealing with those roles.

8. Paragraph 8 sets out the role of officers in providing information, giving impartial professional advice, and assisting members to articulate and record their decisions. Paragraph 10 sets out the role of members as decision-makers and the parameters and processes within which they must operate.

9. Sub-paragraph 10.7 would normally require the meeting to adjourn for a few minutes before taking a decision contrary to officer recommendation to allow the reasons for the proposed decision to be discussed and agreed. The provision would also require the committee to consider deferring a decision where there was concern about the validity of the reasons. This proposal flows from recommendations in the peer review carried out last year with the Planning Advisory Service.

PROCEDURE

10. The committee is asked to consider recommending the council to adopt the proposed revised protocol to replace the current version of the protocol in the constitution.

IMPLICATIONS	
Finance	No financial implications
Legal	A breach of the protocol may be relevant in determining whether a member or officer has breached the wider code of conduct that applies to them.
Community Safety	No implications.
Human Rights and Equalities	The code is compatible with the European Convention on Human Rights
Sustainability and Environmental Impact	No implications
Health & Safety and Risk Management	No implications

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	01253 658506	20 May 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Member/Officer Protocol for Planning	July 2012	Within the constitution at www.fylde.gov.uk/council/constitution
Draft revision of the Member/Officer Protocol for Planning	May 20 2014	Town Hall, Lytham St Annes, and attached below

Attached documents

1.   Draft revision of the Member/Officer Protocol for Planning

2.   Existing Member/Officer Protocol for Planning.

DRAFT PROPOSED Planning Code

1. INTRODUCTION

1.1 This Local Code of Good Practice represents the standard against which the conduct of members and officers will be judged. Failure to follow this Local Code of Good Practice without good reason may be taken into account in investigations into possible maladministration by the council and might result in allegations that a member or officer has breached the council's local code of conduct that applies to them.

1.2 This Local Code of Good Practice is concerned primarily with the integrity of the planning system and the conduct of members of the Development Management Committee and officers in its processes and procedures. However, it equally applies to members of the executive and all other members of the Council when dealing with planning issues.

2 THE GENERAL ROLE AND CONDUCT OF COUNCILLORS AND OFFICERS

2.1 Instructions to officers may only be given through a council or committee resolution or through a formal decision made by an individual executive member. Individual members cannot otherwise give instructions.

2.2 Each councillor is obliged to observe the council's local code of conduct adopted under the Localism Act 2011.

2.3 Each officer is obliged to observe the Officers' Code of Conduct

2.4 The council's Protocol on Member/Officer Relations requires members to respect the impartiality and integrity of council officers and officers to respect the role of members as elected representatives.

2.5 Officers who are chartered town planners will also be guided in their conduct by the Royal Town Planning Institute's (RTPI) Code of Professional Conduct.

2.6 The conduct of council business will be governed by the council procedure rules.

2.7 While councillors have a special duty to their ward constituents, their overriding duty is to the whole community. Councillors must represent their constituents as a body and vote in the interests of the whole borough.

2.8 Members must take account of views expressed but, as required by paragraph 6.(a) of the code of conduct, must not use their position as a member, improperly to confer on or secure for themselves or any other person, an advantage or disadvantage.

2.9 Councillors should be cautious about accepting gifts and hospitality. Under paragraph 13(c) of the members' code of conduct, a councillor may have an interest in any business of the authority where it relates to or is likely to affect the interests of any person from whom the councillor has received a gift or hospitality with an estimated value of at least £25, and will need to register that interest.

2.10 Officers must always act impartially. With regard to hospitality, if hospitality is offered by anyone with an interest in a planning proposal it should, if

possible, be politely declined. If hospitality is accepted, it should be declared in the council's register of gifts and hospitality.

3   TRAINING

3.1   The council acknowledges the importance of training for members, particularly initial training for members when first serving on the Development Management Committee. Training will be provided, and members will be updated on changes in legislation, procedure and national policy in relation to planning matters.

3.2   If a member of the Development Management Committee consistently fails to undertake training, their group leader will be asked to remove them from the committee.

3.3   If a reserve DM member consistently fails to attend meetings of the Development Management Committee or to undertake training, the committee will consider removing them as a reserve DM member.

4   DECLARATION OF INTERESTS

Members must follow scrupulously the requirements placed upon them as laid down by the Localism Act 2011 (including regulations made under it) and the council's code of conduct in relation to the registration and declaration of interests.

5   DEVELOPMENT PROPOSALS SUBMITTED BY COUNCILLORS AND OFFICERS AND COUNCIL DEVELOPMENTS

It is legitimate for former and serving members and officers (and their close friends and relatives) to submit planning applications or development plan proposals. The council may also submit planning applications or proposals for its own land. They, i.e. members, officers or the council itself, may also own or have an interest in land for which a planning application or development plan proposal is made by a third party. To ensure that all of these applications and proposals are handled in a way that gives no grounds for accusations of favouritism, the following will apply:

5.1   Proposals for the council's own development should be treated in the same way as those by private developers, in accordance with circular 19/92, particularly in relation to the officers' advice.

5.2   Serving members who submit their own proposal to the council, or who act as agents for people pursuing a planning matter within this authority's area, or own or have an interest in land for which a planning application or development plan proposal is made by a third party should play no part in the decision-making process for the proposal.

5.3   Similarly, serving officers who submit a planning application or proposal to the council, or own or have an interest in land for which a planning application or development plan proposal is made by a third party should play no part in the decision-making process of that application or proposal.

5.4   The council's monitoring officer should be informed of proposals submitted by members or officers and should certify that the application has been processed normally.

5.5   Applications or proposals by the council, by (or on behalf of) serving members and officers (including members of their family or any person with whom they have a close association) or by a third party involving land which

they may own or have an interest in will be reported to the Development Management Committee for determination.

6   LOBBYING OF AND BY MEMBERS

6.1   Members of the council, and importantly those members serving on the Development Management committee when being lobbied about a particular planning application/issue should take care about expressing an opinion which may be taken as indicating they have closed their mind to further arguments on the application/issue.

6.2   Additionally, members should restrict themselves to giving procedural advice including suggesting to those who are lobbying that they should speak or write to the Director of Development Services in order that their observations can be included in the relevant report to committee.

6.3   Given that the point at which a decision on a planning application is made cannot occur before the Development Management Committee meeting, when all available information is to hand, and has been duly considered, any political group meeting prior to the committee meeting should not be used to decide how members should vote.

6.4   Members should avoid organising support for or against a planning application, and avoid lobbying other members.

6.5   Members should not put any pressure on officers for a particular recommendation and, as required by the code of conduct, should not do anything which compromises, or is likely to compromise, their impartiality.

7   PRE-APPLICATION DISCUSSIONS WITH POTENTIAL APPLICANTS

7.1   The council encourages, in accordance with the advice of auditors and the National Planning Forum, early discussions between a potential applicant and council representatives prior to the submission of an application.

7.2   Pre-application discussions can involve councillors as well as officers, applicants and their representatives.

7.3   Administrative arrangements for pre-application discussions should be made by officers. Except for any site visit, discussions should take place at a venue arranged by the council.

7.4   In order for such meetings not to become, or be seen to become, part of a lobbying process, the following guidelines should be followed.

7.4.1   It should always be made clear at the outset that the discussion will not bind the council to making a particular decision and that any views expressed are personal and will in any case be provisional.

7.4.2   No firm or final view can be offered in such early discussions since by the very nature of such meetings, not all relevant information will be to hand, nor will formal consultations with statutory bodies and interested parties be to hand.

7.4.3   Advice given by officers should be based upon the development plan and other material planning considerations. There should be no significant difference of interpretation of planning policies amongst planning officers. In addition, all

officers taking part in such discussions should make it clear whether or not they expect to be the decision-maker.

7.4.4 Councillors can ask questions to better inform themselves about the proposed development, and can give their opinions about potential public and political reaction to the proposals.

7.4.5 Planning officers should prepare a written note of pre-application discussions, whether carried out in person or by telephone.

7.4.6 When plans or documentary material have been left with the council for comments, a letter may be sent confirming the officers' provisional views on such material.

7.4.7 Care must be taken to ensure that advice is not partial, nor seen to be.

8 DEVELOPMENT MANAGEMENT COMMITTEE: OFFICERS

8.1 Officers who serve the Development Management Committee can only act in accordance with collective decisions of the committee, not instructions of individual members of the committee.

8.2 In advising and assisting elected members in their determination of planning applications, officers should:

8.2.1 Offer impartial professional advice including advice on possible implications;

8.2.2 interpret planning policies consistently;

8.2.3 Prepare written reports which include:

8.2.3.1 a brief written description of the proposed development and the relevant site history or related history

8.2.3.2 a clear and accurate analysis of the issues in the context of the relevant development plan policies and all other material considerations

8.2.3.3 the substance of any observations representations, objections, or views of all those who have been consulted or who have made comments, whether or not such observations are considered to be material

8.2.3.4 a clear written recommendation of action and, where that recommendation is contrary to the development plan, the material considerations which justify the departure

8.2.3.5 all necessary information for the decision to be made;

8.2.4 Assist members to articulate and record their decisions and reasons for their decisions, even if the officer disagrees with them (but this does not extend to suggesting reasons where a proper planning reason for a proposed decision has not emerged in discussion); and

8.2.5 Advise on appropriate drafting for conditions that members wish to add or amend.

8.3 To ensure that all procedures are strictly followed procedural guidance will be given by the Director of Resources or her representative in attendance at each meeting of the Development Management committee.

9 PUBLIC SPEAKING AT THE DEVELOPMENT MANAGEMENT COMMITTEE

In accordance with the public speaking protocol, applicants, objectors/supporters will be permitted to speak at any meeting of the Development Management committee on any application placed before the committee. These arrangements reflect national best practice and are intended to provide more open, transparent and informed decision making.

10 DEVELOPMENT MANAGEMENT COMMITTEE: MEMBERS

In making decisions on planning applications and planning matters, members should:

10.1 Act fairly and openly and without prejudice;

10.2 take care about expressing an opinion which may be taken as indicating they have closed their mind to further arguments;

10.3 Not accept or seek to impose group discipline, whether in the form of a party whip or otherwise;

10.4 Use the officer presentation, questions and debate to test any provisional view that they have formed;

10.5 Ensure that they understand the implications of any proposed decision, including possible appeals and costs awards;

10.6 Not vote if they have missed any part of the of the officer presentation, public speakers or discussion;

10.7 Not normally take a decision contrary to the officers recommendation without adjourning for a few minutes so that the reasons for the proposed decision can be discussed and then agreed by the committee and, where there is concern about the validity of reasons, considering deferring the decision to another meeting to have them tested and discussed;

10.8 Analyse all relevant development plan policies and other material considerations and, where the development plan is relevant, determine each application in accordance with the development plan unless material considerations indicate otherwise;

10.9 Ensure that clear, precise reasons for their decisions, based on material planning considerations, are clearly recorded, particularly where the committee's decision conflicts with officer recommendations; and

10.10 Where the decision is not in accordance with the development plan, ensure that the reasons that justify overriding the development plan are clearly demonstrated and explained.

11 SITE VISITS

11.1 The council's code of conduct applies as much to site visits as to any other area of conduct.

11.2 Organised committee site visits to application sites will be held where the committee has, by a majority, requested such a visit or where requested by

officers, in consultation with the chairman or vice chairman of the committee.

11.3 Site visits should only be held:

11.3.1 Where the expected benefit is substantial; and/or

11.3.2 The impact of the proposed development is difficult to visualise from the plans and supporting material, including photographs/video footage taken by officers.

11.4 Site visits will be primarily to view the site and appreciate how the proposed development relates to the site and its surroundings. An officer(s) would be in attendance with the members. No discussion of the merits of the proposal will take place as the site visit is purely to assess the effect of the proposed development on the surroundings. However, members may ask factual questions to confirm their understanding of physical features of the site or its surroundings.

11.5 Planning applications will not be determined at site visits but will be reported back to the Development Management Committee (following the site visit) for determination in the normal way.

11.6 If an applicant/agent or objector is present at the time of the visit, members should explain the purpose is to see the site and surroundings, and not to hear representations, and should not offer any opinion whatsoever and in particular should not indicate that they have already made up their mind on the application/issue.

11.7 It is not expected that members will make personal site visits which would result in contact with an applicant, agent or objector. Exceptionally, members who wish to view sites prior to a meeting of a committee, other than authorised and arranged visits in accordance with 11.2 to 11.6 should bear in mind at all times that the sole purpose is to view the site and its surroundings.

11.8 A member should declare at the Development Management committee at which the application is considered that a personal site visit has been made by them which has resulted in contact with the applicant, agent or objector.

12 REVIEW OF DECISIONS

12.1 The Development Management Committee will review its decisions from time to time.

12.2 In particular, the committee will examine the way development which has been permitted has turned out and will have an organised tour of selected recent developments, at least annually.

12.3 Following the consideration of such developments, officers and members will be encouraged to review the good and bad points of permitted schemes and decide whether such review gave rise to the need for any policies or practices to be reconsidered.

13 COMPLAINTS

All complaints received will be dealt with by way of the council's approved complaints procedure.

Planning Code

1 INTRODUCTION

1.1 The Local Code of Good Practice represents the standard against which the conduct of members and officers will be judged. Failure to follow the Local Code of Good Practice without good reason may be taken into account in investigations into possible maladministration by the Council and might result in allegations that a member has breached the statutory local code of conduct.

1.2 The Local Code of Good Practice is concerned primarily with the integrity of the planning system and the conduct of members of the Development Management Committee and officers in its processes and procedures. However, it equally applies to members of the executive and all other members of the Council when dealing with planning issues.

THE GENERAL ROLE AND CONDUCT OF COUNCILLORS AND OFFICERS

1.3 Instructions to officers may only be given through a Council or Committee resolution, and cannot be given by individual members.

1.4 Each Councillor has given a written undertaking that they will observe the Council's local code of conduct as required by the Local Elections (Declaration of Acceptance of Office) Order 2001.

1.5 Officers who are Chartered Town Planners will be guided in their conduct by the Royal Town Planning Institute's (RTPI) Code of Professional Conduct.

1.6 The Conduct of Council business will be governed by the council procedure rules.

1.7 While Councillors have a special duty to their ward constituents, their overriding duty is to the whole community. Councillors must represent their constituents as a body and vote in the interests of the whole Borough.

1.8 Members must take account of views expressed but, as required by paragraph 6.1 of the code of conduct, must not in their official capacity, or in any other circumstances, use their position as a member, improperly to confer on or secure for themselves or any other person, an advantage or disadvantage.

1.9 Councillors should be cautious about accepting gifts and hospitality. Under paragraph 14.1 of the code of conduct, a councillor will have a personal interest in any business of the authority where it relates to or is likely to affect the interests of any person from whom the councillor has received a gift or hospitality with an estimated value of at least £25, and will need to register that interest under paragraph 13(c) of the code.

1.10 Officers must always act impartially. With regard to hospitality, if hospitality is offered by anyone with an interest in a planning proposal it should, if possible, be politely declined. An officer must never accept hospitality valued at above £25. If hospitality is accepted, it

should be declared in the directorate's Register of Gifts and Hospitality.

3   TRAINING

The Council acknowledges the importance of training for members, particularly initial training for members when first serving on the Development Management Committee. Training will be provided, and members will be updated on changes in legislation, procedure and national policy in relation to planning matters.

4   DECLARATION OF INTERESTS

Members must follow scrupulously the requirements placed upon them as laid own by the Local Government Act 2000 and the council's code of conduct in relation to the registration and declaration of interests.

5   DEVELOPMENT PROPOSALS SUBMITTED BY COUNCILLORS AND OFFICERS AND COUNCIL DEVELOPMENTS

5.1   It is legitimate for former and serving members and officers (and their close friends and relatives) to submit planning applications or development plan proposals. The council may also submit planning applications or proposals for its own land. They, i.e. members, officers or the council itself, may also own or have an interest in land for which a planning application or development plan proposal is made by a third party. To ensure that all of these applications and proposals are handled in a way that gives no grounds for accusations of favouritism, the following will apply.

5.2   Proposals for the council's own development should be treated in the same way as those by private developers, in accordance with circular 12/92, particularly in relation to the officers' advice.

5.3   Serving members who submit their own proposal to the council, or who act as agents for people pursuing a planning matter within this authority's area, or own or have an interest in land for which a planning application or development plan proposal is made by a third party should play no part in the decision-making process for the proposal.

5.4   Similarly, serving officers who submit a planning application or proposal to the council, or own or have an interest in land for which a planning application or development plan proposal is made by a third party should play no part in the decision-making process of that application or proposal.

5.5   The council's monitoring officer should be informed of proposals submitted by members or officers and should certify that the application has been processed normally.

5.6   Applications or proposals by the council, by (or on behalf of) serving members and officers (including members of their family or any person with whom they have a close association) or by a third party involving land which a they may own or have an interest in will be reported to the Development Management committee for determination.

5.7   For the purposes of paragraph 5.6, a serving member or officer includes anyone who is a relevant person (as defined in paragraph 8(c) of the members' code of conduct) in respect of that member or officer.

6   LOBBYING OF AND BY MEMBERS

6.1   Members of the council, and importantly those members serving on the Development Management committee when being lobbied about a particular planning application/issue should take care about expressing an opinion which may be taken as indicating they have closed their mind to further arguments on the application/issue.

6.2   Additionally, members should restrict themselves to giving procedural advice including suggesting to those who are lobbying that they should speak or write to the Director of Development Services in order that their opinion can be included in the relevant report to committee.

6.3   Given that the point at which a decision on a planning application is made cannot occur before the Development Management committee meeting, when all available information is to hand, and has been duly considered, any political group meeting prior to the committee meeting should not be used to decide how members should vote.

6.4   Members should avoid organising support for or against a planning application, and avoid lobbying other members.

6.5   Members should not put any pressure on officers for a particular recommendation and, as required by the code of conduct, should not do anything which compromises, or is likely to compromise, their impartiality.

7   PRE-APPLICATION DISCUSSIONS

7.1   The council encourages, in accordance with the advice of the National Planning Forum, early discussions between a potential applicant and council representatives prior to the submission of an application.

7.2   Pre-application discussions can involve councillors as well as officers, applicants and their representatives.

7.3   Administrative arrangements for pre-application discussions should be made by officers. Except for any site visit, discussions should take place at council offices.

7.4   In order for such meetings not to become, or be seen to become, part of a lobbying process, the following guidelines should be followed.

7.5   It should always be made clear at the outset that the discussion will not bind the council to making a particular decision and that any views expressed are personal and will in any case be provisional.

7.6   No firm or final view can be offered in such early discussions since by the very nature of such meetings, not all relevant information will be to hand, nor will formal consultations with statutory bodies and interested parties be to hand.

7.7   Advice given by officers should be based upon the Development Plan and other material planning considerations. There should be no significant

difference of interpretation of planning policies amongst planning officers. In addition, all officers taking part in such discussions should make it clear whether or not they are the decision-maker.

7.8   Councillors can ask questions to better inform themselves about the proposed development, and can give their opinions about potential public and political reaction to the proposals.

7.9   A written note should always be made of pre-application discussions where members are present, and of any contentious or potentially contentious meetings, or of similarly contentious or potentially contentious telephone conversations.

7.10   When plans or documentary material have been left with the council for comments, a letter may be sent confirming the officers' provisional views on such material.

7.11   Care must be taken to ensure that advice is not partial, nor seen to be.

8   OFFICERS' REPORT TO THE COMMITTEE

8.1   Reports should be accurate and contain a brief written description of the proposed development; the substance of written views submitted by consultees, objectors and others with an interest in the proposal; the relevant site history or related history.

8.2   The report should include a clear exposition of the relevant development plan policies and proposals, in order that the council's statutory duty under section 38(6) of the Planning and Compulsory Purchase Act 2004 can be considered. Other material planning considerations should also clearly be set out.

8.3   Reports should have a written recommendation; oral reporting (except to update a report where necessary) should be rare, only when necessary in view of the urgency of the item, and should be carefully minuted when it does occur.

8.4   The reports should have a clear reasoning which itself clearly justifies the recommendation.

8.5   If the report has a recommendation which is contrary to the provisions of the development plan, the material considerations which justify this must be clearly stated.

9   PUBLIC SPEAKING AT THE DEVELOPMENT MANAGEMENT COMMITTEE

Applicants, objectors/supporters will not be permitted to speak at any meeting of the Development Management committee on any matter placed before the committee for consideration except upon the invitation of the chairman and in accordance with any procedure applied by the committee.

10   DECISIONS CONTRARY TO OFFICER RECOMMENDATION AND/OR THE DEVELOPMENT PLAN

10.1   Adequate weight should always be given to the development plan. The law requires that where the development plan is relevant, decisions should be taken in accordance with the development plan unless material

considerations indicate otherwise (section 38(6) of the Planning and Compulsory Purchase Act 2004).

10.2   Where the council intends or is minded to approve an application which is not in accordance with the development plan, the material considerations which lead to this conclusion must be clearly identified and how they justify overriding the development plan must be clearly demonstrated.

10.3   If the officers' report recommends approval of an application which is a departure from the development plan, the justification for this should be included, in full, in the report.

10.4   If the Development Management committee takes a decision contrary to the officers' recommendation (whether for approval or refusal), a detailed minute of the committee's reasons should be made and a copy placed on the application file.

10.5   Where the Development Management committee is minded to take a decision contrary to the officers' recommendation, particularly where that decision would be contrary to development plan policies, the officers should be given the opportunity to explain the implications of the contrary decision.

10.6   Where the committee is minded to approve an application which is a material departure from the development plan, the application should be advertised in accordance with the requirements of the Town and Country Planning (General Development Procedure) Order 1995 and (where the scale and nature of the proposal require it) be referred to the Secretary of State.

10.7   The substance of conditions and reasons for refusal where members depart from the recommendations of officers should be made clear during the relevant committee meeting although detailed wording may be delegated to officers in consultation, if deemed necessary, with the chairman and vice-chairman of the committee.

10.8   To ensure that all procedures are strictly followed procedural guidance will be given by the Director of Resources or her representative in attendance at each meeting of the Development Management committee.

11   SITE VISITS

11.1   The council's code of conduct applies as much to site visits as to any other area of conduct.

11.2   Organised committee site visits to application sites will be held where the committee has, by a majority, requested such a visit or where requested by officers, in consultation with the chairman or vice chairman of the committee.

11.3   Site visits should only be held:

(i)   where the expected benefit is substantial; and/or

(ii)   the impact of the proposed development is difficult to visualise from the plans and supporting material, including photographs/video footage taken by officers; and

(iii) there is good reason why the comments of the applicant and objectors cannot be expressed adequately in writing, or the proposal is particularly contentious.

11.4 Site visits will be primarily to view the site and appreciate how the proposed development relates to the site and its surroundings. An officer(s) would be in attendance with the members.

11.5 In order to avoid lobbying and to maintain impartiality, the applicant/agent, supporters and objectors would not normally be invited to site meetings nor would they be permitted to speak on the merits or otherwise of the proposal.

11.6 Planning applications will not be determined at site visits but will be reported back to the Development Management committee (following the site visit) for determination in the normal way.

11.7 It is not expected that members will make personal site visits. Exceptionally, members who wish to view sites prior to a meeting of a committee, other than authorised and arranged visits in accordance with 11.2 to 11.6 should bear in mind at all times that the sole purpose is to view the site and its surroundings.

11.8 If an applicant/agent or objector is present at the time of the visit, members should explain the purpose is to see the site and surroundings, and not to hear representations, and should not offer any opinion whatsoever and in particular should not indicate that they have already made up their mind on the application/issue.

11.9 A member should declare at the Development Management committee at which the application is considered that a personal site visit has been made by them which has resulted in contact with the applicant, agent or objector.

12   REVIEW OF DECISIONS

12.1 The Development Management committee, in accordance with the views of the National Planning Forum, will review its decisions from time to time.

12.2 In particular, the committee will examine the way development which has been permitted has turned out and will have an organised tour of selected recent developments, at least annually.

12.3 Following the consideration of such developments, the committee will be encouraged to review the good and bad points of permitted schemes and decide whether such review gave rise to the need for any policies or practices to be reconsidered.

13   COMPLAINTS

All complaints received will be dealt with by way of the council's approved complaints procedure.

REPORT

REPORT OF	MEETING	DATE
RESOURCES	AUDIT COMMITTEE	26 JUNE 2014

REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS

PUBLIC ITEM

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

SUMMARY

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarters to March and June 2014, there were no authorised operations.

RECOMMENDATION

To note the information in the report.

CABINET PORTFOLIO

This item falls within the following cabinet portfolio(s):

Finance and resources   -   Councillor Karen Buckley

SUMMARY OF PREVIOUS DECISIONS

A report about the use of covert surveillance and covert human intelligence sources is brought regularly to the Audit Committee for noting.

On 29 July 2013, the council resolved to note a report about the council's use of surveillance powers and changes in the legal framework governing them and to adopt an updated policy on the council's use of such powers.

REPORT

1. The Regulation of Investigatory Powers Act 2000 ("RIPA") regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.

2. Fylde Council is therefore included within RIPA framework with regard to the authorisation of both directed surveillance and of the use of covert human intelligence sources.

3. Directed surveillance includes the covert surveillance of an individual in circumstances where private information about that individual may be obtained. A covert human intelligence source ("CHIS") is a person who, pretending to be someone that they are not, builds up a relationship of trust with another person for the purpose of obtaining information as part of an investigation.

4. Directed surveillance or use of a CHIS must be authorised by the chief executive or a director and confirmed by a Justice of the Peace. All authorisations are recorded centrally by the Head of Governance.

5. Regulations under RIPA require councillors to consider a report on the use of RIPA at least quarterly.

6. This is the required quarterly report on the use of RIPA. The information in the table below is about authorisations granted by the council during the quarters concerned.

Quarter	Directed surveillance	CHIS	Total	Purpose
Jan – Mar 2014	0	0	0	
Apr - Jun 2014[1]	0	0	0	

IMPLICATIONS	
Finance	No direct financial implications. This work will be delivered within existing revenue budget resources
Legal	The report is for the information of councillors and is produced to comply with the council's obligations under the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010. The council is only able to authorise surveillance under RIPA if it is for the purpose of preventing or detecting crime or preventing disorder. Such authorisation must be endorsed by a Justice of the Peace.
Community Safety	An authorising officer should consider any community safety issues among the other relevant factors in deciding whether to authorise surveillance
Human Rights and Equalities	None arising directly from this report.
Sustainability and Environmental Impact	None arising directly from this report.
Health & Safety and Risk Management	None arising directly from this report.

[1] Correct to the date the report was written. Officers will verbally update members if the figures have changed by the date of the meeting.

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	01253 658506	5 June 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

REPORT

REPORT OF	MEETING	DATE
DIRECTOR OF RESOURCES	AUDIT COMMITTEE	26 JUNE 2014

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 lcoal code of corporate governance for approval.

RECOMMENDATION

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

CABINET PORTFOLIO

The item falls within the following cabinet portfolio(s):

Finance and Resources   Councillor Karen Buckley

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 in line with the request made by the Audit Committee last year. 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.

IMPLICATIONS	
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.

REPORT AUTHOR	TEL	DATE	DOC ID
Tracy Morrison	(01253) 658521	12 June 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Code of Corporate Governance	April 2008	Town Hall, St Annes
Directorate assurance statements	2013/14	Town Hall, St Annes

Attached documents

Appendix 1 - Annual Governance Statement

Appendix 2 – Good Governance Check List

ANNUAL GOVERNANCE STATEMENT 2014

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 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

<u>Principles</u>

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, 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 Council appoints, and can remove, the Council Leader.

The Council meeting also acts as a channel for executive accountability through mechanisms such as notices of motion and questions to the Leader and his Cabinet.

The authority operates a Leader and Cabinet form of executive comprising the Council Leader and six other Cabinet members. The role of the Cabinet, as set out in the constitution and relevant legislation, is to be responsible for those matters not expressly reserved to the council meeting.

Meetings of the Cabinet 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 Cabinet can ask questions at Cabinet meetings. This helps ensure robust accountability of Cabinet decisions.

Accountability of Cabinet decisions is also achieved through scrutiny mechanisms, including the ability of a scrutiny committee to call-in a Cabinet decision, and by the power of the full council meeting to remove the council leader.

In addition to the statutory Forward Plan of key decisions to be taken by the cabinet, the Council publishes forward plans showing non-key decisions to be taken by the Cabinet and business expected to be considered by Scrutiny Committees, Audit Committee and the full Council. Each plan gives details of when decisions are expected to be made, who will take the decision, which will be consulted before the decision is made and how representations can be made.

The Council has established two overview and scrutiny committees to assist the Cabinet in policy development and review, to scrutinise decisions made by the Cabinet and analyse the performance of the Council in meeting its policy objectives and performance targets.

The Council's 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 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 led by the Council's Audit Committee. This is a committee independent of the executive and scrutiny processes and reports directly to Council. 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.

During May 2014, there was a local referendum on governance which invited a public vote on whether the council should change its governance arrangements to a committee system as opposed to the current executive arrangements. This was successful and as a result, the Council will change its governance arrangements in 2015 following the annual meeting in May.

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 Cabinet 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.

Three 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 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 Cabinet, 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 and the executive portfolio-holder is invited to attend meetings.

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 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 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 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 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 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 four areas where it believes that focus should be given during 2014/15. These areas are related to business continuity, IT disaster recovery, project management and the governance framework in light of the May 2014 governance referendum. A further description is given below and these actions will be translated into an action plan which will be presented the next meeting of the Audit Committee with an expected timeframe for each issue.

1. Refresh business continuity arrangements
2. Refresh IT disaster recovery plan
3. Review approach to project management
4. Prepare for change in governance arrangements

Statement

On the basis of the work carried out, which has been reviewed by the Audit 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.

....
Allan Oldfield, Chief Executive

....
Councillor David Eaves, Leader of the Council

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:
• exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users	• develop and promote the authority's purpose and vision • review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements • ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners • publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance
• ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	• 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 • put in place effective arrangements to identify and deal with failure in service delivery

Supporting principles	The local code should reflect the requirement for local authorities to:
• ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	• 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

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:
• 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	• 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 • set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers
• 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	• 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

Supporting principles	The local code should reflect the requirement for local authorities to:
	• make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management

• 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

• 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

• 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 |
| • ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other | • develop protocols to ensure effective communication between members and officers in their respective roles

• 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)

• ensure that effective mechanisms exist to monitor service delivery |

Supporting principles	The local code should reflect the requirement for local authorities to:
	• 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 • 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 • when working in partnership: – ensure that there is clarity about the legal status of the partnership – 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

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:
• ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	• ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect • 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 • 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
• ensuring that organisational values are put into practice and are effective	• 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 • 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 • develop and maintain an effective standards committee • 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 • 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

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:
• being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	• 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

•   develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based

•   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

•   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

•   ensure that effective, transparent and accessible arrangements are in place for dealing with complaints |

Supporting principles	The local code should reflect the requirement for local authorities to:
• having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	• 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 • 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
• ensuring that an effective risk management system is in place	• 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 • 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
• using their legal powers to the full benefit of the citizens and communities in their area	• 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 • recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law
	• 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

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:
• making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	• provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis • 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
• developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	• assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively • 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 • 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

Supporting principles	The local code should reflect the requirement for local authorities to:
• 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	•　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 •　ensure that career structures are in place for members and officers to encourage participation and development

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:
•　exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	•　make clear to themselves, all staff and the community to whom they are accountable and for what •　consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required •　produce an annual report on the activity of the scrutiny function

Supporting principle	The local code should reflect the requirement for local authorities to:
• 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	• 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 • hold meetings in public unless there are good reasons for confidentiality • 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 • 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 • 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
	• 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
• making best use of human resources by taking an active and planned approach to meet responsibility to staff	• develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

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 providers1
- 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,2 and reflecting these in the authority's overall governance arrangements.

REPORT

REPORT OF	MEETING	DATE
INTERNAL AUDIT	AUDIT COMMITTEE	26 JUNE 2014

EFFECTIVENESS OF THE AUDIT COMMITTEE

PUBLIC ITEM

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

SUMMARY

The report presents the findings of a self-assessment exercise undertaken by the Chair and Vice Chair of the Committee in relation to the effectiveness of the Audit Committee. The self-assessment compared existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

RECOMMENDATION

The Committee agrees the findings of the self-assessment of the effectiveness of the Audit Committee against the checklist provided by the CIPFA better governance forum in their publication 'A Toolkit for Local Authority Audit Committees' undertaken by the Chair and Vice Chair of the Committee.

CABINET PORTFOLIO

This item falls within the following cabinet portfolio(s):

Finance and Resources   Councillor Karen Buckley

SUMMARY OF PREVIOUS DECISIONS

The effectiveness of the Audit Committee was confirmed previously by the Audit Committee at its meeting on 27 June 2013.

REPORT

1. The Audit Committee forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of corporate activity. The effectiveness of the Council's Audit Committee forms part of the evidence used in preparing the Annual Governance Statement for 2013/14.

2. An effective audit committee helps to raise the profile of internal control, risk management and financial reporting within the Council, as well as providing a forum for the discussion of issues raised by both internal and external auditors. It also enhances public trust and confidence in the financial governance of the Council.

3. Best practice guidance set out by CIPFA in its toolkit for Local Authority Audit Committees, recommends that committees periodically review their own effectiveness in discharging their responsibilities. The guidance incorporates an effectiveness self-assessment checklist to permit benchmarking against good practice.

4. The Chair and Vice Chair of the Audit Committee carried out the self-assessment review against the checklist, supported by the Head of Internal Audit, and this report presents the results. The review will be re-performed annually to ensure the effectiveness of the committee is maintained.

5. The main conclusion that can be drawn from the self-assessment is that the Audit Committee has the framework in place to act effectively and does so in practice.

6. There were two areas where partial divergence from the standard was noted. Both of these related to the independence of members in carrying out their functions as members of the Audit Committee.

7. Best practice guidance suggests that in order to preserve independence the Chair of the Audit Committee should not be a member of the Executive or be involved in the scrutiny function. Currently the Chair of Audit Committee is free of executive functions but serves on the Community Focus Scrutiny Committee although not as a Chair/Vice. This was not thought to impact seriously on the independence of the Chair.

8. In the case of other members of the Audit Committee, guidance suggests that none should be members of the Executive and ideally should independent of other committees. Presently two members act as Vice Chairs of scrutiny committees, one is Chair of a regulatory committee and one is Vice Chair of a regulatory committee. However, there was no evidence that the independence of the Audit Committee was undermined.

9. The self-assessment checklist is attached as an Appendix to this report.

Risk Assessment

This item is for information only and makes no active recommendations. Therefore there are no risks to address

IMPLICATIONS	
Finance	This will enhance good governance and probity
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	In completing a review of this nature the Council is compliant with best practice and the exercise demonstrates the effectiveness of the Audit Committee and forms part of the consideration of the system of internal control and risk management

REPORT AUTHOR	TEL	DATE	DOC ID
Savile Sykes	01253 658413	26 June 2014	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
A Toolkit for Local Authority Audit Committees (CIPFA)	2006	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

Attached documents

Appendix 1   Audit Committee – Self Assessment Checklist 2014

AUDIT COMMITTEE – SELF ASSESSMENT CHECKLIST 2014

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Terms of Reference				
Have the committee's terms of reference been approved by full Council?	✓			The latest terms of reference for Audit Committee were confirmed by Council on 30th July 2012. They are reviewed on an annual basis and updated where necessary.
Do the terms of reference follow the CIPFA model?	✓			The Statement of Purpose and the full Terms of Reference recommended by CIPFA have been adopted in full.
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme of work?	✓			Audit Committee approves the internal audit strategy and also receives the annual Internal Audit plan for comment and approval.
Is the work of internal audit reviewed regularly?	✓			Reports concerning the work of Internal Audit are presented to the Audit Committee by the Head of Audit twice yearly. The Audit Committee is provided with the percentage of agreed recommendations implemented both for each individual audit review and overall for the year in the annual report of the Head of Internal Audit. The Audit Committee has been proactive in seeking to increase the proportion of agreed recommendations implemented. The annual review of the effectiveness of the system of Internal Audit is also presented to the Audit Committee.
Are summaries of quality questionnaires from service managers reviewed?	✓			An analysis of the customer feedback survey forms is provided to Audit Committee as part of the Head of Internal Audit's annual report.
Is the annual report, from the Head of Audit, presented to the committee?	✓			The Annual report of the Head of Internal Audit is presented to the Audit Committee annually at the June meeting.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
External Audit Process				
Are the reports on the work of external audit and other inspection agencies presented to the committee?	✓			Progress reports on the work of external audit are received by the Audit Committee. Other inspection agencies reports are reported to Audit Committee as appropriate.
Does the committee input into the external audit programme?	✓			The external audit programme is presented annually to the Audit Committee for information and comment. The Audit Committee does have the opportunity to suggest areas that they consider could be reviewed.
Does the committee ensure that officers are acting on and monitoring action taken to implement external audit recommendations?	✓			All external audit recommendations are formulated into action plans with responsible officers named and target implementation dates established. Progress against the action plans is monitored by the Audit Committee on a regular basis. The Committee can require any officers to attend to explain non-implementation of external audit actions.
Governance, Risk, Fraud				
Does the committee take a role in overseeing:				
◆ the annual governance statement	✓			The Audit Committee receives the Annual Governance Statement annually for comment and approval. Progress in implementing any resulting action plan of improvements is monitored by the Audit Committee.
◆ risk management strategies	✓			The Risk Management Strategy is approved by the Audit Committee and the Strategic Risk Action Plans are presented to the committee annually for comment and approval. Progress against the action plans is monitored by Audit Committee on a regular basis.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Governance, Risk, Fraud				
Does the committee take a role in overseeing:				
◆ anti-fraud arrangements	✓			The Audit Committee approves the Anti-Fraud and Corruption strategy, and receives information on the outcomes of all fraud investigation work in the annual report of the Head of Internal Audit. There is an annual review and refresh of all anti-fraud policies which is reported to and approved by the Audit Committee.
◆ whistleblowing policy	✓			The Whistleblowing Policy is approved by the Audit Committee. The policy forms part of the annual review and refresh of anti-fraud policies that comes before the committee for approval.
Membership				
Has the membership of the committee been formally agreed and a quorum set?	✓			Audit Committee Terms of Reference have been approved by the Council. The quorum of Committees established in the Constitution is one-quarter of the whole number of the members of that Committee provided that the quorum is not less than 3 members. The quorum of the Audit Committee would therefore be 3.
Is the Chair free of executive or scrutiny functions?		✓		The Chair of Audit Committee is free of executive functions but serves on the Community Focus Scrutiny Committee although not as a Chair/Vice. The independence of the Chair was not thought to be compromised.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are members sufficiently independent of the other key committees of the Council?		✓		In the main yes but two Members act as Vice Chairs of scrutiny committees (Coun. Akeroyd & Coun. L Davies), one is Chair of a regulatory committee (Coun. B Aitken) and one is Vice Chair of a regulatory committee (Coun. Ackers). The independence of the Audit Committee was not thought to be compromised.
Have all members' skills and experiences been assessed and training given for identified gaps?	✓			The Council has in place a comprehensive elected member driven training and development programme. Fundamental to this is an embedded Strategy and PDP process. This help shapes both individual and corporate needs resulting in an on going tailored learning programme. In relation to Audit Committee members, the CIPFA document states that "to be effective, the members of an audit committee will require certain skills". These are listed as: a broad understanding of the financial, risk and control, and corporate governance issues facing local authorities generally and the council specifically. For new members of the Audit Committee specific training in advance of their first meeting is arranged based on the above skills to address the main potential gaps. The induction training offered is designed to address this concern. (Specific training for the Audit Committee is considered below)
Can the committee access other committees as necessary?	✓			The Audit Committee is a committee of the Council and can access other Committees as necessary and appropriate.
Meetings				
Does the committee meet regularly?	✓			At least four times a year in accordance with the committee's terms of reference, but in the last three years, including 2013/14, the committee actually has met on five occasions.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are separate, private meetings held with the external auditor and the internal auditor?	✓			Private meetings with external audit do not happen as a matter of course but if such meetings were required they could be arranged. Private meetings between the Chair and Vice Chair of the Audit Committee and the Head of Internal Audit occur periodically, for example for the purpose of identifying strategic risks or the completion of the annual review of Audit Committee effectiveness. Other private meetings have taken place occasionally following committee briefings. In reality, the Chair of the Audit Committee or any member can meet with the Head of Internal Audit at any time.
Are meetings free and open without political influences being displayed?	✓			Yes – thorough discussion of items takes place without undue political influences being displayed.
Are decisions reached promptly?	✓			Decisions are reached promptly at each meeting.
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			Agenda papers are circulated well in advance and are also available on the internet.
Does the committee have the benefit of appropriate officers at its meetings?	✓			The Section 151 Officer/Deputy, the Monitoring Officer and the Head of Internal Audit are regular attendees. Directors and other officers attend as required. Representatives of KPMG, the Council's external auditors also attend as necessary.

| ISSUE | SATISFIED | | | Comments |
	YES	PARTLY	NO	
Training				
Is induction training provided to members?	✓			Yes - all new members receive corporate induction training. In terms of the Audit Committee new members of the committee will be offered specific relevant induction training.
Is more advanced training available as required?	✓			More specific training for the Audit Committee is regularly offered with sessions on the role of external audit, internal audit and the Audit Committee. Other training has been provided on Corporate Governance, Risk Management and the International Financial Reporting Standards.
Administration				
Does the authority's s151 officer or deputy attend all meetings?	✓			In 2013-14 five meetings of the Audit Committee took place. The Section 151 Officer attended all of them.
Are the key officers available to support the committee?	✓			Yes – key officers are available to support the Committee with suitable administrative arrangements also in place.

REPORT

REPORT OF	MEETING	DATE
INTERNAL AUDIT	AUDIT COMMITTEE	26 JUNE 2014

INTERNAL AUDIT ANNUAL REPORT 2013-14

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);
* 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 2013 to March 2014 and performance information for the same period.

RECOMMENDATION

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.

CABINET PORTFOLIO

The item falls within the Finance & Resources portfolio(s):
Finance and Resources   Councillor Karen Buckley

SUMMARY OF PREVIOUS DECISIONS

There have been no previous decisions regarding this report.

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 Purposes of the Report

1.3.1 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."

1.3.2 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 and improvement programme

1.3.3 The report also summarises the activities of internal audit for the financial year 2013-14 to provide managers and members with the opportunity to review the service provided to the Council.

1.4 Statement of Conformance with Public Sector Internal Audit Standards

1.4.1 The Internal Audit service works to a new Charter approved by the Audit Committee in November 2013 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.

1.4.2 Internal Audit has adopted, and broadly 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.

1.4.3 The Internal Audit service will work towards full compliance with the requirements of the PSIAS over the remainder of the financial year and a quality and improvement plan will be submitted to the Audit Committee concerning this.

2 The Statement of Assurance

2.1 Context

2.1.1 The Council's internal auditors are required to provide the Audit Committee with assurance on the system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Audit Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

2.1.2 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 2014 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, our work identified 11 high priority findings, four of which have now been addressed. Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements have been agreed in the following areas to enhance the overall adequacy and effectiveness of governance, risk management and internal control:

- ◆ ICT Disaster Recovery
- ◆ Business Continuity

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 2014 (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 2013/14

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 2011/13 which was reported to the

meeting of the Audit Committee on 26 September 2013, concluded that the Council's organisation and IT control environment was found to be effective and controls over the key financial systems were judged to be sound. 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 has 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 14 November 2013 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 2014 committee, summarised the outcomes of the external auditor's certification work. An unqualified certificate was issued for both grant claims reviewed.

Other External Inspection

2.4.5 There were no other external inspections during 2013-14 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 Audit Committee, 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 with seven agreed actions that was fully implemented in 2013/14. The implementation of the audit recommendations means that substantial reliance can reasonably be placed on the effectiveness of the Council's risk management arrangements.

Governance

2.4.8 A self assessment exercise was undertaken by the Chair and Vice Chair of the Audit Committee in relation to the effectiveness of the 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 27 June 2013.

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. Four matters for improvement or development are included in the 2014 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.

22.4.11 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 broad compliance with the principals within the Standards but some areas of partial non-conformance. These will be included in a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and reported to the Audit Committee.

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 2013-14 twenty three reports were issued including one that was substantially completed at year-end. All have been accepted by management and in all cases action plans are now in place. The agreed reports and action plans will be available to view via the Audit Work page on the Intranet again once this facility is re-instated following the recent re-launch.

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
Risk Management[1]	-	4	3	Substantial
Licensing[1]	2	6	4	Moderate
FMS - MOT Service [1]	-	10	1	Limited
Payroll[1]	-	9	3	Substantial
Council Tax - FCAT	-	-	-	Full
Business Rates - FCAT	-	-	-	Full
National Fraud Initiative	-	-	1	Full
Corporate Governance	-	6	12	Substantial
ICT Contract Management	1	2	-	Limited
Homelessness	-	15	1	Moderate
Heritage Assets	-	9	2	Moderate
Travel & Expenses	-	11	4	Moderate
Mayoralty	1	6	5	Substantial
Treasury Management	-	-	2	Full
Council Tax/Business Rates - Collection Rate[2]	-	3	6	Substantial
Cash Collection	-	1	1	Full
Main Accounting	-	-	3	Full
Planning Improvement Plan	-	5	4	Substantial
Trade Waste	-	2	5	Substantial
ICT Service Management	1	3	3	Limited
Individual Electoral Registration[3]	-	1	2	Full
Business Continuity[3]	6	17	6	Limited
Data Quality - Sickness PI[3]	-	-	-	Moderate
Total	**11**	**110**	**68**	

[1] Reviews from 2012/13 finalised in 2013/14
[2] Joint audit with Blackpool Council
[3] Finalised after year-end

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

Audit Area	2009/10	2010/11	2011/12	2012/13	2013/14	5 Year Average
All Reviews Average	3.5	3.3	3.7	3.8	**3.7**	**3.6**
Main Financial Systems:	3.8	4.2	4.2	4.4	**4.6**	**4.2**
Business Rates	*	4.5	*	~	4.7	4.6
Cash Collection	3.8	3.8	3.8	*	4.7	4.0
Council Tax	4.0	*	~	4.5	4.7	4.4
Creditors	4.0	4.4	*	4.4	*	4.3
Housing Benefits	*	4.0	*	4.4	*	4.2
Main Accounting	3.5	*	4.3	*	4.6	4.1
Payroll	3.4	3.6	*	*	3.6	3.5
Sundry Debtors	4.0	4.6	*	4.3	*	4.3
Treasury Management	4.2	*	4.6	*	4.7	4.5

* Not Undertaken
~ Reviewed via FCAT

2.4.18 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 3.7. Main financial systems had a better average score of 4.6. The 'All Reviews' figure shows a slight decrease compared to last year but continues to exceed the average score over the five year period. The figure for 'Main Financial Systems' represents the highest average score achieved.

2.4.19 The 'Main Financial Systems' score equates to full assurance for the first time, 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 There were nine important internal control weaknesses brought to the attention of management during the year. Several of these actions relate to one area of work and form part of a specific improvement process. Two further significant risks were brought forward from the previous year.

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

Table Four: High Priority Risks Identified

Risk	Director	Resolution Date
Previous Years' Risks		
1 Licensing - confidential item (charges)	Development	Completed
2 Licensing - confidential item (safeguarding)	Development	Completed
2013/14 Risks		
3 A process will be developed to support contract and service agreement negotiations for ICT services & equipment	Resources	Completed

4	Arrangements to mitigate Town Hall access and security concerns during mayoral functions will be agreed	Resources	Completed
5	Develop and test an effective Disaster Recovery Plan for ICT Services	Resources	Mar 2015
6	Carry out a full Business Impact Analysis (BIA) to identify critical services	Resources	Jul 2014
7	Develop an effective and current Corporate Business Continuity Plan arising from the BIA and reflecting existing risks and structures	Resources	Mar 2015
8	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
9	Develop effective Business Continuity Plans for all critical services	Resources	Dec 2014
10	Provide training for key business continuity personnel	Resources	Dec 2014
11	Conduct an annual exercise to test the Council's planned response to business disruption	Resources	Sep 2014

2.4.22 The present position in summary based on evidence available and/or managers' advice and is as follows:

- Four risks have been addressed in full - numbers 1, 2, 3, 4
- The remaining actions have not yet reached the agreed date for completion

Follow Up

2.4.23 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Fifteen 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	Recommendations		
	Total Agreed	Number Implemented	% Implemented
Previous Years' Reports			
Risk Management	7	7	100%
Purchasing	8	8	100%
Creditors	6	5	83%
Disabled Facilities Grant	10	10	100%
Fraud Awareness (Resources)	5	4	80%
Sundry Debtors	10	9	90%
Procurement (via 'The Chest')	11	8	73%
Licensing	12	11	92%
2013-14 Reports			
Treasury Management	2	2	100%
Total	71	64	90%

2.4.24 The overall implementation rate for all reports followed up in 2013/14 is 90.1% compared to last year's figure of 92.1%. This year's outcome is above the target of 90%.

2.4.25 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					
Risk Management	-	-	4	-	100%
Purchasing	-	-	6	-	100%
Creditors	-	-	1	1	50%
Disabled Facilities Grant	1	-	5	-	100%
Fraud Awareness (Resources)	-	-	1	1	50%
Sundry Debtors	-	-	3	1	75%
Procurement (via 'The Chest')	1	-	1	2	50%
Licensing	2	-	6	-	100%
Total	4	-	27	5	86%

2.4.26 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 2013/14 was 86.1% compared to last year's 91.7%. This result is below the target of 95%.

2.4.27 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	2009/10	2010/11	2011/12	2012/13	2013/14	Average
Overall Implementation %	92.0	94.9	84.4	92.1	90.1	90.7
High/Medium Implementation %	93.3	93.1	84.3	91.7	86.1	89.7

2.4.28 The rates of implementation by managers have slipped back slightly from last year's figures. For 2013/14 the annual overall rate of implementation was the second lowest achieved in the five-year period, while the percentage of high and medium priority recommendations implemented also ranked at the same level. Both were below 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 two special investigations into allegations of fraud and corruption. Both arose as a result of whistleblowing concerns expressed anonymously:

⬧ The first investigation ceased when the potential third party complainant was unwilling to proceed

◆ The second investigation was terminated when the situation prompting the alleged misconduct unexpectedly came to an end

3.1.2 Table Eight summarises the results of the various special investigations during April to December compared with the outturn for previous years.

Table Eight: Results of Fraud Investigations

Outcome	2009-10	2010-11	2011-12	2012-13	2013-14
Disciplinary action	-	-	1	-	-
Employee Resigned prior to conclusion	-	-	-	-	-
Third party restitution	-	-	-	1	-
No evidence to support allegation	1	-	1	2	-
Inconclusive evidence	-	-	-	-	1
Investigation terminated	-	1	-	-	1
Investigation ongoing	-	-	-	-	-
Total	1	1	2	3	2

3.1.3 Some 12 days were taken up dealing with reactive fraud work the year. The fact that the incidence of reported fraud remains at such a relatively low level suggests good standards of probity among Council employees, reinforced by the Council's zero tolerance commitment to fraud and corruption.

Whistleblowing

3.1.4 There were three instances of employee whistleblowing during the current year to date not including benefit fraud contacts. Two related to allegations of fraud/corruption, mentioned above, while the third was in connection to a recruitment concern that was separately addressed by management.

National Fraud Initiative

3.1.5 The Head of Internal Audit has acted 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 matches investigated during 2013/14 have generated savings of almost £50,000 to date with ongoing savings in future years. The current phase of the exercise started in January 2014 when live data was extracted from the participant systems in accordance with the data specifications and uploaded to the NFI web application. This phase involves the comparison of datasets from council tax to the electoral register, and student loans to benefits records. Currently some 174 cases are under investigation.

Shared Fraud Service

3.1.7 The Head of Internal Audit is responsible for overseeing the delivery of the shared service provided by Preston City Council to investigate housing benefit and council tax reduction scheme fraud. The service continued to deliver good results in 2013-14. Fraudulent and other overpayments of £202,373 were discovered, significantly exceeding the target. The service also delivered 39 sanctions including 10 prosecutions, which achieved the agreed target.

<u>Counter Fraud Work</u>

3.1.8 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 2013 of over 450 public sector bodies about a wide range of fraud and corruption issues, which seeks to asses 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
- prepared press releases highlighting benefit fraud prosecutions
- prepared articles for Grapevine highlighting whistleblowing and ethical conduct

3.2 Projects, Consultancy and Advice

3.2.1 This section summarises the range of services, beyond internal audit's assurance role. Such work is often 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.
- Lowther Trust - completed a review of governance arrangements to help improve transparency and accountability
- Strategic Risk Management - jointly led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management day along with the Risk & Emergency Planning Officer.
- Mini-Golf Partnership - provided advice relating to the establishment of the partnership
- Responded to one Freedom of Information request concerned with fraudulent benefit overpayments

4 Performance of Internal Audit

4.1 Internal Audit Plan

4.1.1 A risk assessed annual audit plan was prepared for 2013-14 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 640, not including time for things such as holidays, sickness and training.

4.1.2 In the event the outturn figure was 616 days, a reduction of 24 days partly as a result of additional time used for professional training. The results are set out in Table Nine.

Table Nine: Internal audit plan

Audit Activity	Plan days	% of total	Actual days	% of total
Main Financial systems	135	21.1	136	22.1
Risk Based Reviews	99	15.5	106	17.2
Corporate Governance	43	6.7	33	5.4
Performance Management	8	1.2	8	1.3
Computer audit	33	5.1	29	4.7
Anti-fraud audit	12	1.9	5	0.8
Follow Up work	21	3.3	8	1.3
Other audit	14	2.2	6	1.0
Reactive audit	30	4.7	40	6.5
Reactive fraud	15	2.3	12	1.9
Communication & Consultancy	51	8.0	48	7.8
Management & Admin	133	20.8	137	22.2
Non-Audit Work	46	7.2	48	7.8
Total	640	100%	616	100%

4.1.3 The analysis of outturn days shows reasonably similar time was spent on all categories of work when compared with the original plan. One area where the number of days used was noticeably less than planned was follow up work. The original estimate included time for each audit from the previous year not followed up and for each audit planned in the year. This allowance proved excessive since several audits undertaken still remain to be followed up.

4.1.4 The percentage of the 2013/14 audit plan completed at 31 March was 92.9%, above the 90% target for the year. However, taking into account the completion of ongoing audit work slipped into 2013/14 the annual rate at 31 May stood at 95.0% and further slippage work is currently ongoing, anticipating a final outturn of 96.7%.

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 89.6% 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	90	75	17	8	-	-
Review was carried out in a timely and efficient manner	89	75	17	8	-	-
Auditors were polite, positive and professional	91	84	8	8	-	-
Involvement of auditee in the process was appropriate	92	84	16	0	-	-
Well structured and clear audit reporting	91	84	8	8	-	-
Findings and recommendations were accurate and useful	88	67	25	8	-	-
Review provided assurance or resulted in beneficial change	88	75	17	8	-	-
Average	90	78	15	7	-	-

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 2013/14, together with the actuals for the two most recent years.

Table Eleven: Performance Indicators for Internal Audit

Performance Indicator	Target	Actuals 2012/13	Actuals 2013/14
IA1 % of audit plan completed	90%	90.4%	95.0%
IA2 % satisfaction rating indicated by post-audit surveys	90%	90.7%	89.6%
IA3 % of audit recommendations agreed with management	95%	100%	97.4%
IA4 % of agreed actions implemented by management	90%	92.1%	90.1%
IA5 % of 'High Priority' actions implemented by management	100%	75.0%[1]	100.0%
IA6 % of 'High/Medium Priority' actions implemented by management	95%	91.7%	86.1%
IA7 % of recommendations implemented at initial follow up	75%	77.5%	74.6%

[1] Outstanding action implemented during 2013/14

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.

IMPLICATIONS	
Finance	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.
	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)
	A significant number of audit projects carried out in 2013/14 related to finance, resource or property
Legal	This report contributes towards the production of the Annual Governance Statement published each year by the Council.
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental	None arising directly from this report

Impact	
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Annual Internal Audit report arises from that work and is an important element of the assurance process for the effectiveness of the Council's systems of internal control.

REPORT AUTHOR	TEL	DATE	DOC ID
Savile Sykes	(01253) 658413	26/06/14	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Audit Plan 2013-14	March 2014	Internal Audit Office by arrangement
Audit reports & documents	Various	

REPORT

REPORT OF	MEETING	DATE
RESOURCES DIRECTORATE	AUDIT COMMITTEE	26 JUNE 2014

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 2013/14 Strategic Risk Register Action Plans, and the work undertaken by the Council's Risk & Emergency Planning Officer in producing the Strategic Risk Register for 2014/15 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 2013/2014 Risk Action Plans be considered and appropriate comments made.

2. It is recommended that the Strategic Risk Register for 2014/2015 is approved.

3. It is recommended that the amended Strategic Risk Management Strategy is approved.

CABINET PORTFOLIO

This item falls within the following cabinet portfolio:

Finance and Resources   Councillor Karen Buckley

SUMMARY OF PREVIOUS DECISIONS

1. The Strategic Risk Resister for 2013/2014 was approved by the Audit Committee at its meeting on 27 June 2013.

2. The Strategic Risk Management Strategy was approved by the Audit Committee at its meeting on 27 June 2013.

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 Leader and Deputy Leader of the Council and the Chairman of the Audit Committee, along with the Chief Executive, Directors of Development and Resources and the Section 151 Officer.

Strategic Risk Register 2013/14

2. Following from the risk identification stage above, a risk register of the strategic risk is produced and mitigation action plans are developed to reduce the likelihood of the risks occurring.

3. These risk actions are monitored throughout the year by the Strategic Risk Management Group (SRMG) using the Council's InPhase performance management system.

4. In the 2013/2014 Strategic Risk Register there were 40 individual actions identified for monitoring in 2013/14. 32 actions were completed during 2013/14, this represents a completion rate of 80%. Details of the 8 non-completed actions are shown below in table 1.

Table 1 – Outstanding actions from 2013/2014 Risk Action Plans

Action Plan	Action	Due Date	Reason for non -completion
Accommodation	Disposal of Public Offices	July 2013	Purchaser withdrew, property back on the market
	Process Planning Application for Public Offices	2013/2014	Dependent on above
Local Plan	Member backing for local Plan	Jan 2014	Plan not yet approved by Members
	Local Plan published	Mar 2014	Dependent on above
Travellers	Establish potential for suitable G&T sites	July 2013	This is being considered by the GTAA report which is still in development
	Member awareness raising sessions re Need	Aug 2013	This will be covered as part of the GTAA
	Formal report to Cabinet to agree way forward re site provision	Sept 2013	As above
	Through & balanced report considered by members	Aug 2013	Report to special meeting June 2014

Review of the Strategic Risk Management Strategy

5. The current Strategic Risk Management Strategy was approved by the committee in June 2013. A minor amend has been made to the Terms of Reference of the Strategic Risk Management Groups terms of Reference. The SRMG are now monitoring the Council's Emergency, Business Continuity and Disaster Recovery Plans along with Information Security/Risk and Data Protection. The ToR has been amended to reflect these new responsibilities. The rest of the strategy remains as before. The SRMS (Appendix 1) is therefore presented to the committee again for adoption taking into account these changes.

Strategic Risk Register 2014/2015

6. The strategic risk register for 2014/2015 is attached (Appendix 2). The strategic risks and risk champions for each risk are shown in table 2 below.

Table 2 Strategic Risks 2014/2015

Strategic Risk Area	Risk Champion
Capacity & Change	Chief Executive
Local Plan	Director of Development
Travellers	Chief Financial Officer
Review of Assets	Director of Resources
Development Management – Cost of Planning Appeals	Chief Financial Officer

7. Each individual risk action plan identified in the risk register is recorded in the "InPhase" performance monitoring program to enable it to be monitored through to its successful completion. There are 29 actions included in the five risk action plans (this will increase when the completed Action Plan 2 is presented to the next Audit Committee). Monitoring of the risks with be carried out by the SRMG.

8. A progress report on the completion of the risk actions will be brought to the Audit Committee in January 2015.

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 report

REPORT AUTHOR	TEL	DATE	DOC ID
Andrew Wilsdon	01253 658412	26 June 2014	Annual Audit Cttee Report June 2014

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection

Attached documents

1.   Strategic Risk Management Strategy 2014
2.   Strategic Risk Register 2014

Risk Management Strategy 2014

Approved by Audit Committee June 2014

Welcome to the Council's Strategic & Operational Risk Management Strategy, refreshed in June 2013. 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.

Cllr, Karen Buckley
Cabinet
Portfolio Holder
Finance & Resources

Allan Oldfield
Chief Executive Officer
Fylde Council

CONTENTS

Information Box	
Title	Risk Management Strategy version 3.5 revised June 2014
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 2014

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.

RISK MANAGEMENT PROCESS

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

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

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

Step	Element	Activity Description
5	**Monitoring**	The strategic risk management group monitors progress on the implementation of the agreed action plans throughout the year to ensure that all actions are completed. If necessary it will recommend to the CMT that new risk are added to the Risk Register should the need arise during the year.
6	**Monitoring & Review**	The whole process is monitored and reviewed on an annual basis. Once the outcomes of the current years activities are known the cycle starts over with interviews to Identify the risks for the next years risks register
7	**Operational Risk**	The managing of operational risks is conducted using the same framework but within each 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
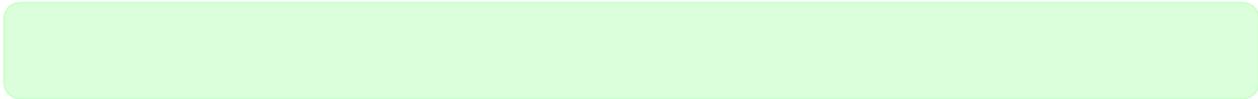
The information resulting from the process acts as one of eight key pieces of information that will be incorporated into the development of the service plans. Risk management will become an essential element to establishing policy, developing plans and enhancing operational management.

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                          │   Fylde Council's   │
                          │       Vision        │
                          └─────────────────────┘
                                    ⬌⬇

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│ Opportunity  │                              │  Government  │
│   analysis   │                              │  Priorities  │
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│     Risk     │                              │    Local     │
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│  Resources   │                              │ Consultation │
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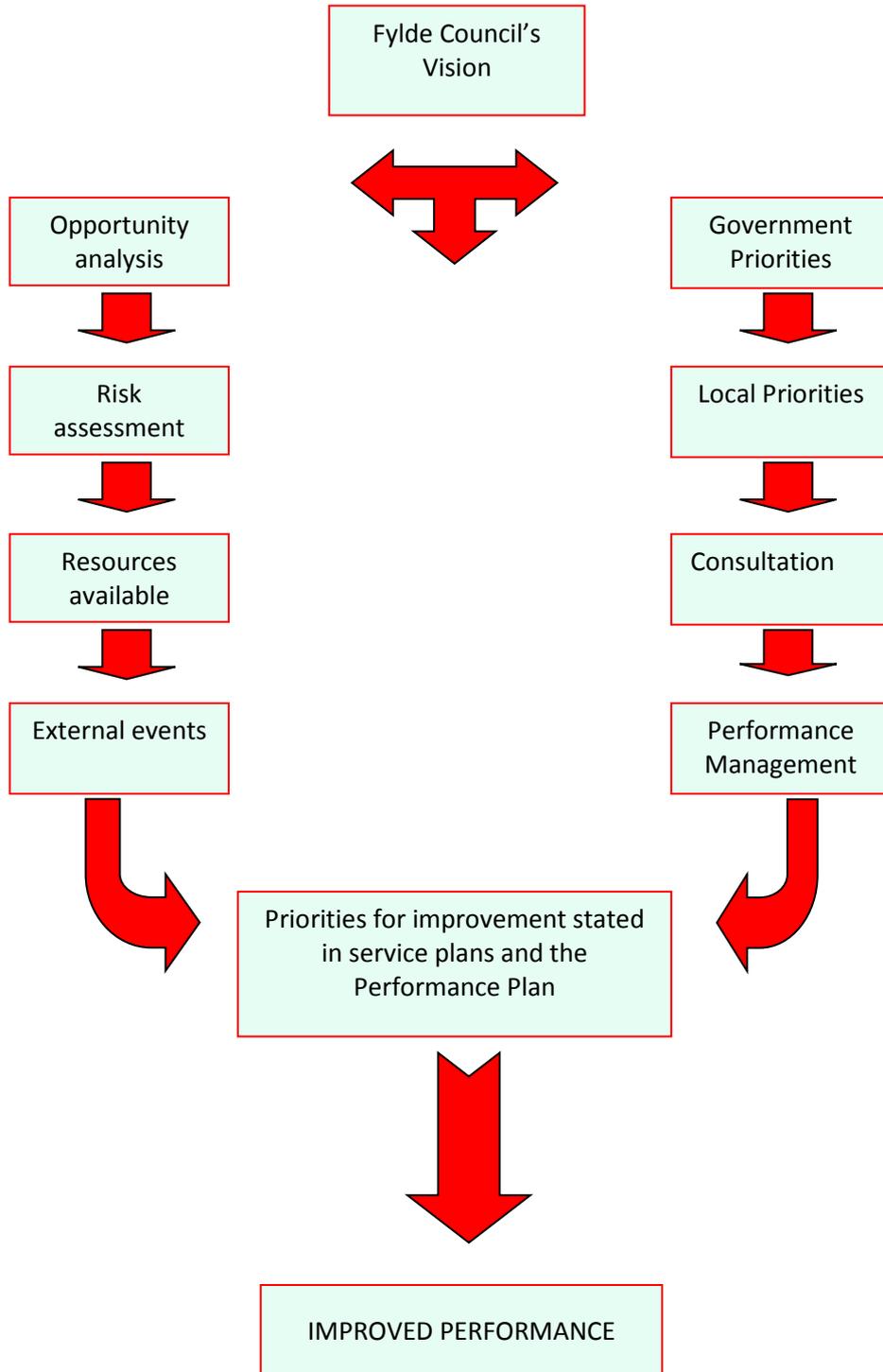
Effective risk management may also be integrated into the existing VFM guidance. It can help to narrow down the options for future service delivery. It can also be used as mechanism of identifying areas of service improvement.

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 pervious 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
The Audit Committee	- Overseeing effective risk management across the Council - Agreeing Fylde Council's Risk Management Strategy - Ensuring that risk management is delivered by the Director of Resources on behalf of the Council - Ensuring that a Strategic Risk Register, including details of actions taken to mitigate the risks identified, is established and regularly monitored - Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually - Seeking assurances that action is being taken on risk related issues identified - Facilitating a risk management culture across the Council
Leader	Appointing a Member with responsibility for Risk Management within the cabinet
Chief Executive & Corporate Management Team	- Leading risk management across the Council, with the Director Resources as the designated CMT lead on Risk - Advising members on effective risk management and ensuring that they receive regular monitoring reports - Recommending a Risk Management Strategy to Members of the Audit Committee - Identifying and managing the business risks and opportunities facing the Council - Co-ordinating risk management across the Council - Being responsible for ensuring that the Council fully complies will all corporate governance requirements, including the Annual Statement of

Role	Responsibilities
Directors	Directors will demonstrate their commitment to risk management through: - ➢ 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 ➢ Ensuring partnerships initiated by their directorates are constituted in accordance with the Partnerships Protocol ➢ Appoint a risk champion who is authorised to progress effective risk management throughout their directorate that adheres to corporate guidelines ➢ 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. ➢ Balancing an acceptable level of operational risk against programme and project objectives and business opportunity ➢ Reporting systematically and promptly to the Corporate Management Team any perceived new risk or failures of existing control measurers ➢ Attending the Strategic Risk Management Group
Risk Champions	➢ Acting as the main contact for their directorate on risk matters, and ensuring that corporate information and requirements are communicated to the directorate ➢ Progressing across their directorate effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met ➢ Representing their directorate at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Director ➢ 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. ➢ Providing support on risk management to Directors and middle managers within their directorate ➢ Promoting the benefits of risk management across the directorate ➢ Maintaining, on behalf of Director an up to date DORR that complies with corporate guidelines.

Role	Responsibilities
Heads of Service / Service Managers	- Communicating to staff the corporate approach to risk management - Identifying the risk management training needed by staff, and reporting this to the directorate Risk Champion - Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required
Staff	- Understanding their accountability for individual risks - Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls
Internal Audit	- Auditing the key elements of the Council's Risk Management Process - Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan - Ensuring that internal controls are robust and operating correctly
Risk Management Groups	The purpose of the risk management groups is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues. The Groups will also: - Promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures - Ensure that risk management is seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing". - Investigate issues referred to it by the Corporate Management Team and report back in a timely manner - Standardise procedures and practices to reduce property and liability losses and claims - Advise Corporate Management Team on risk management issues referred to it by individual directorates. - Receive reports from the Risk & Emergency Planning Officer and Directorate Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.

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Role	Responsibilities
Risk Management Groups	➢ Adopt SMART reporting techniques for all issues sent to the group from whatever source ➢ Introduce more sophisticated systems to analyse and forecast losses ➢ Investigate the feasibility of allocating risk costs in line with the risk features of each budget holder ➢ Use deductibles or self-insurance where financially beneficial to provide a vested interest in loss control. Dependence on insurance will be reduced and cover sought on a 'value for money' basis, seeking cover where financially prudent ➢ Wherever possible, improve risk management information and investigative procedures within the authority The terms of reference for the risk management group is attached at appendix B
Risk & Emergency Planning Officer	➢ Provide advice and guidance on insurable risks ➢ Provide strategic direction on the Council's approach to risk management ➢ Ensure effective liaison between risk areas (see table on page 6) ➢ Co-ordinating the Council's approach to risk management ➢ Provide advice to the Council on risks arising from partnership working, and possible mitigation actions such as use of Service Level Agreements ➢ Report on the status of the Council's Corporate Risk Register and the implementation of the associated action plans

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

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

➢ An annual review of the risk management strategy by CMT approved by the Audit Committee
➢ Monitoring of the effective management of risks through developing performance management mechanisms including regular reporting on service and corporate performance indicators to CMT and members.
➢ An annual review of the overall process and a report to CMT and members on the effectiveness of risk management and internal control by Internal Audit.

An annual report to the Audit Committee outlining the effectiveness of the strategic and operational risk management actions undertaken as part of the Corporate and individual 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 measurers 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.

2014/2015 Risk Register
Risk Management Action Plan No: 1
Champion – Chief Executive

Issue: Financial	Description: Capacity & Change
Council Objective	Performance

Existing Controls in place
• Ambassadors Group
• Revised policies & procedures
• Absence Management & Long Term Absence Managed
• Staff Briefings
• Chief Executives Sessions
• Communications Review underway
• Reputation Management Group
• Money Saving Exercise
• Staff Recognition/ Initiatives
• Staff Survey
• Corporate Training / IPool
• Rationalisation / Efficiencies
• Champion Success

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Outcomes from communications review implemented	Allan Oldfield / Alex Scrivens	Action Plan deadlines and responsibilities agreed Monitoring & evaluation in place through staff feedback Reputation Management group to adopt ongoing outcomes	Annual	April 14 Feb 15 March 15
Reinforce Absence Management Policy & support managers where necessary	Senior & Middle Managers	Regular monitoring & report of long term absence cases Review of the support to work measures Develop preventive measures to avoid long term absence	Annual	March 14 May 14 Sept 14
Continuing with the culture change initiatives identified	Leadership & Management	Reinforce the corporate vision Process re-engineering programme set for BPR group Develop role of the Ambassadors Reinforce corporate messages and initiatives through team briefs, Grapevine, appraisals etc.	Annual	May 14 June 14 Oct 14 March 15
Identify key areas that need succession planning	Management Team / HR	Map critical skill / knowledge gaps Develop service based succession plans based on skill gaps	Annual	July 14 Oct 14

2014/2015 Risk Register
Risk Management Action Plan No:2
Champion – Director of Development

Issue: Financial	Description: Local Plan
Council Objective	Performance - Places

Existing Controls in place
• Preferred Option consulted upon
• Further evidence gathered e.g. SHMA, Viability Study, GTAA, Retail Study
• Allocated resources
• Local Plan Steering Group established
• Detailed plan for delivery in place
• Support from PAS
• Planning Improvement Plan
• Regular member updates
• Consultation / feedback – available / transparent
• Public engagement

The Local Plan Steering Group (LPSG) has considered the comments raised as a result of the Preferred Option consultation. As a result of that deliberation the Portfolio Holder (PH) is minded to reconsider the distribution of strategic housing and employment sites throughout the borough. This would result in a re-examination of the strategic development sites at Warton and Kirkham and the examination of potential additional development sites in the vicinity of the M55 junction 4/Whitehills.

New data was published by the Office for National Statistics earlier this month which may have implications for the Strategic Housing Market Assessment and the potential number of houses to be delivered during the plan period. This will require further appraisal which will need to be considered by the LPSG/PH.

The PH has also asked officers to review the Employment Land Study in the light of additional representations received by the Council.

Accordingly it will be necessary to carry out a reappraisal of these development options along with other factors and to carry out further consultation in respect of them. This has introduced considerable additional work streams which will not be achievable within the timetable agreed by Cabinet. The report to Cabinet did highlight the circumstances that could affect delivery of the timetable.

A revised timetable will be worked up with PH and a new strategic risk action plan will be reported to the next meeting of committee.

2014/2015 Risk Register
Risk Management Action Plan No: 3
Champion – Chief Finance Officer

Issue: Financial	Description: Travellers
Council Objective	**People, Places**

Existing Controls in place
• National legal process exhausted in relation to decision by Secretary of State
• Regular monitoring of site – activity/numbers of travellers
• Regular liaison with resident's groups
• Regular liaison with Police
• External legal advice & support
• Gathering data / information on traveller's needs
• Liaison / sharing experience with other Councils
• Some financial contingency in place

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Draw up detailed action plan to manage enforcement process	Allan Oldfield	Plan in place and all officers aware of actions	Fortnightly	Completed
Report to special DM committee	Ian Curtis / Mark Evans	Report considered by committee and decision made	Fortnightly	June 2014
Liaise with Travellers	Allan Oldfield / Nicola Martin	Contact made and issues acknowledged	Fortnightly	Ongoing
Ongoing updates to residents groups / partners / members	Allan Oldfield	Stakeholders informed and updated	Fortnightly	Ongoing
Implement decision of DM committee	Mark Evans / Nicola Martin	Decision of DM committee implemented	Fortnightly	Ongoing
Revision of action plan at appropriate time	Paul Walker / Allan Oldfield	Action plan reviewed in light of changing circumstances	Fortnightly	Ongoing

2014/2015 Risk Register
Risk Management Action Plan No: 4
Champion – Director of Resources

Issue: Financial	**Description: Review of Assets**
Council Objective	**Places, Performance**

Existing Controls in place
• Asset review of properties
• Vehicle replacement schedule
• Arts service review underway
• Legal advice on asset values / disposal
• Ongoing liaison with LCC – Lytham Library
• Implementing actions from property review
• Disposed of surplus assets
• Investment to core retained assets
• Diverted resources to R&M

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Complete arts service review and implement recommendations	Paul Walker (Arts Scrutiny Group Cabinet)	Report to Community Focus Scrutiny Committee 24 July 2014. Scrutiny will then determine whether to complete its work and make recommendations to Cabinet		July 2014 and Cabinet thereafter
Update on property review actions	P Walker	Report to Management Board		May 2014
Continued improvements in Town Hall	P Walker (Accommodation Working Group Cabinet)	On-going programme of improvements delivered throughout 2014/15		To end of March 2015 (and beyond)
Implementation of Vehicle Replacement programme	Kathy Winstanley	Maintaining a roadworthy fleet Green Operators Compliance Risk Score (OCRS) 90% MOT 1st time pass rate	Annually on a rolling replacement program	To end of March 2020 (and beyond)
Increasing the lifespan of vehicles	Kathy Winstanley	Improved driver training and awareness Regular servicing and maintenance Fit for purpose vehicles	Ongoing	Ongoing
Agree a position on Scruples	Paul Walker	Report to scrutiny on 13 March 2014 with position agreed and recommendations presented to Cabinet		May 2014

2014/2015 Risk Register
Risk Management Action Plan No: 5
Champion – Section 151 Officer

Issue: Appeals	Description: Development Management - Cost of Planning Appeals
Council Objective	Performance/People/Places

Existing Controls in place

- Member training and development
- Monthly reporting of appeal decisions to DM Committee
- Update reports to Development Management (DM) Committee of appeal decisions received

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Further member development training sessions: General planning training for members	Lyndsey Lacey	Further training considered by the Member Development Steering Group and a training plan agreed. Reduced resource implications & costs of planning appeals	Annually	July 2014
Further member development training sessions: Members of DM committee and Cabinet to review appeal decisions and lessons learned	Mark Evans	Reduced resource implications & costs of planning appeals	Annually	ongoing
Raise awareness with Group Leaders and Cabinet via Management Board – major applications in the pipeline and recent decisions received	Paul Walker/ Mark Evans	Increased awareness of appeals	Annually	ongoing
Complete the review of procedure for decisions which are made by DM committee contrary to officer recommendations via revised planning code	Mark Evans/ Ian Curtis	Completion of review of procedure	Annually	July 2014
Regular performance reports prepared for Scrutiny and DM committees on the latest statistics regarding number of appeals dismissed as a % of number of major planning applications determined	Mark Evans Alex Scrivens	Reports produced	Quarterly	July 2014