



Meeting Agenda

Audit Committee
Town Hall, St Annes
Thursday 23 June 2011, 7:00p.m.

The main doors to the Town Hall will be open to the public at 6:45pm
The maximum capacity for this meeting room is 60 persons –
once this limit is reached no other person can be admitted.

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor John Singleton JP
VICE-CHAIRMAN – Councillor Brenda Ackers

Councillors

Ben Aitken	Christine Akeroyd
Leonard Davies	Kath Harper
Howard Henshaw	Linda Nulty
Louis Rigby	

Contact: Lyndsey Lacey, St. Annes (01253) 658504, Email:
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Our Vision

Fylde Borough Council will work with partners to provide and maintain a welcoming, inclusive place with flourishing communities.

Our Corporate Objectives

- To Promote the Enhancement of the Natural & Built Environment
 - To Promote Cohesive Communities
 - To Promote a Thriving Economy
- To meet the Expectations of our Customers

The Principles we will adopt in delivering our objectives are:

- To ensure our services provide value for money
- To work in partnership and develop joint working



A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
1. DECLARATIONS OF INTEREST: If a member requires advice on Declarations of Interest he/she is advised to contact the Monitoring Officer in advance of the meeting. (For the assistance of Members an extract from the Councils Code of Conduct is attached).	4
2. CONFIRMATION OF MINUTES: To confirm as a correct record the minutes of the Audit Committee held on 31 March 2011. As attached at the end of the agenda.	4
3. SUBSTITUTE MEMBERS: Details of any substitute members notified in accordance with council procedure rule 25.3	4
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7. REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS	34 - 36
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Personal interests

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

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

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

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

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

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

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

Disclosure of personal interests

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

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

Prejudicial interest generally

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

Prejudicial interests arising in relation to overview and scrutiny committees

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

Effect of prejudicial interests on participation

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

REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	JUNE 23 2011	4

CONSTITUTION

Public/Exempt item

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

Summary

The council's constitution needs to be re-adopted by the council each year. This report highlights some proposed changes and invites the committee to recommend to the council that it formally re-adopts the constitution subject to those changes

Recommendation/s

1. Recommend that the council re-adopt the constitution as appended to the report, incorporating the changes highlighted in the report.

Cabinet portfolio

The item falls within the following cabinet portfolio: Corporate resources and finance (Councillor Karen Buckley).

Report

Background

1. Article 14 of the council's constitution requires the Monitoring Officer to submit a fully up-to-date text of the Constitution every year to the meeting following the Annual Meeting of the Council, with a view to its formal approval and re-adoption by the Council for the ensuing Municipal Year, with any amendments or alterations then considered appropriate or necessary by the Council.

Continued....

2. The constitution will therefore be submitted to the council meeting on 25 July. The committee is asked to examine the changes proposed to be made and recommend to the council that the changes (or such other changes as it considers appropriate) be incorporated in the constitution.
3. The proposed revised version of the constitution, showing the changes, can be accessed at www.fylde.gov.uk/committees/12/. The changes which have a substantive effect are set out and explained below. Other changes have been made to correct typographical and similar errors.

Proposed changes: Appointment of leader

4. Under article 7.03 of the constitution as it presently stands, the election of a new leader of the council must take place at an ordinary or special meeting of the council. It cannot take place at the annual meeting. While the annual meeting is largely ceremonial, there may be circumstances (for example where there has been a change in political control) where it would be convenient to appoint a new leader at an annual meeting. The proposed change allows a new leader to be appointed at any council meeting.

Proposed changes: Development Control Committee

5. The revision suggests changing the name of the Development Control Committee to the Development Management Committee. The latter name is felt to better reflect the function of the committee, in which facilitating appropriate development is as important as preventing inappropriate development.

Proposed changes: Temporary stop notices

6. The powers delegated to the Director of Strategic Development Services would now expressly include the service of temporary stop notices. There has previously been scope for discussion whether the power to serve stop notices (following consultation with the chairman and vice-chairman of the Development Control Committee) includes the power to serve temporary stop notices.

Proposed changes: Land transaction procedures

7. The procedures for sale of land by tender presently cross-refer to rules 6 and 11 of the Contract Procedure Rules. However, these rules were changed to require use of the North West Procurement Hub, known as the Chest. It is not appropriate to require use of the Chest for sale of land, so the rules that previously applied have now been set out in rule 6 of the Land Transaction Procedure Rules.

Proposed changes: Petitions

8. The government has withdrawn the statutory guidance about the petitions duty. The statutory guidance included the model petitions scheme which is presently included in the constitution as part E of appendix 5. The withdrawal of the guidance gives the opportunity to trim some of the descriptive text (for example, references to sources of advice and guidance) from the scheme as it appears in the constitution. The petitions duty remains in force for the time being despite the withdrawal of the guidance.

Proposed changes: Planning code

9. There are three suggested changes to the Planning Code, which forms appendix 7 to the constitution. The change to paragraph 2.7 brings the advice for members about

10. The suggested change to paragraph 2.8 makes it clear that officers should not accept gifts or hospitality over the value limits set out in the officers' code of conduct. This change (like all of the suggested changes to the planning code) has not been prompted by any problem or issue, but by the need to promote consistency between different sets of guidance.
11. The final suggestion is to amend paragraph 9.6. This paragraph presently sets out that planning applications made by or on behalf of serving officers and councillors will be considered by the Development Control Committee, rather than through the exercise of delegated powers. The change would extend this to expressly include family members of serving officers and councillors and those with whom they have a close association.

IMPLICATIONS	
Finance	None
Legal	Article 14 of the constitution requires the constitution to be submitted for re-adoption to the annual meeting of the council
Community Safety	None.
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	None

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	1 June 2010	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
Council constitution	July 2010	Town Hall, St Annes, or www.fylde.gov.uk

REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE & PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	23 JUNE 2011	5

RISK MANAGEMENT ANNUAL REPORT

Public item

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

Summary

The report summarises the year end report on the 2010-2011 Risk Register Action Plans, the work undertaken by the Council's Insurance & Risk Management Officer in producing the Strategic Risk Register for 2011 – 2012, and the annual review of the Risk Management Strategy.

The report links principally to the Corporate Objective - "To meet the expectations of our customers".

Recommendations

1. It is recommended that the year end report of the progress made on the 2010-2011 Risk Action plans be considered and appropriate comments made.
2. It is recommended that the Strategic Risk Register for 2011-2012 is approved
3. It is noted that a report will be presented to the Committee later in the year outlining proposed amendments to the Strategic Risk Management Strategy

Executive Portfolio

The item falls within the following executive portfolio: Finance & Resources (Cllr Karen Buckley)

Continued....

Report

1 Introduction

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

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

1.3 The Audit Commission advises that there should be both member and officer involvement in the risk identification exercise. In 2011, this exercise involved both the Chief Officers Management Team, Leader & Deputy Leader of the Council, Cabinet Portfolio Holder and Chairman & Vice Chairman of the Audit Committee.

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

2 Strategic Risk Register 2010-2011

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

2.2 These actions are monitored throughout the year by the Strategic Risk Management Group (SRMG). There were 44 such actions identified in the 2010-2011 Risk Register. The number of tasks completed in full was 41, this representing 93% of the total number of actions due for completion by the end of the year. Of the 3 remaining actions, 2 are in respect of shared service arrangements. The Council has been unable to complete these actions as the third party participant is not in a position to proceed with the proposals at present. The last remaining action concerning the provision of temporary/supported accommodation for homeless people is still ongoing.

3 Review of the Risk Management Strategy

3.1 As mentioned in the introduction above the Audit Commission recommends that the Council reviews its risk management strategy on an annual basis and that the revised document is adopted by the Audit Committee.

3.2 The Internal Audit Team has recently completed an Internal Audit Review of the Risk Management Service operated by the Council. As part of this review Internal Audit has looked at the Council's Risk Management Strategy. A number of recommendations involving the Strategic Risk Strategy have been included in the Internal Audit Review

Recommendations, these action points are currently being worked on. As soon as the Insurance & Risk Management Officer has completed implementing the recommendations the revised Strategic Risk Management Strategy will be presented to the committee for consideration and adoption.

4 Risk Register – 2011-2012

4.1 The risk register for 2011-2012 is attached (Appendix 1). The strategic risks and risk champions for each risk are:

Strategic Risk	Risk Champion
Financial	Director of Governance & Partnerships
Partnerships	Chief Executive
FBC Solutions Ltd	Director of Community Services
Accommodation	Director of Strategic Development
Planning/LDF	Director of Strategic Development

4.2 Each individual risk action identified in the Risk Register is recorded to enable it to be monitored through to its successful completion. There are 29 actions included in the 5 Risk Action Plans, and progress reports on completion of the risk actions are made to the SRMG.

Implications	
Finance	<p>The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and which includes arrangements for the management of risk.</p> <p>The Use of Resources Judgement (assessment undertaken by External Audit) includes a section on Risk Management. Risk Management is included as a key part of the Internal Control assessment.</p>
Legal	The annual risk review forms a key part of the council's corporate governance arrangements.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability	None arising from this report
Health & Safety and Risk Management	The work of the Risk Management Officer in producing the Strategic Risk Register and reviewing the Strategic Risk Management Strategy helps to fulfil the requirement of the Accounts Regulations and contributes to the scoring on the Use of Resources Inspection and Comprehensive Area Assessment.

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit Cttee June 11

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



Strategic Risk Register 2011/2012

Risk Management Action Plan No: 1

2011/1212 Risk Register

Champion – Director of Governance & Partnerships

Issue: Financial	Description: To achieve the financial targets set in the Council's 2011/12 Budget
Council Objective	Performance

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Embedded MTFS process identifying savings & risks		Continue to develop budget profiling	POD/Budget Holders	- No overspends at outturn annually	Ongoing	Apr 12
Embedded budget management control procedures		Achieving savings identified - Strategic Partnership	PWw/TS	<ul style="list-style-type: none"> - Secure Continued commitment post May '11 elections - Project Group established - Model development for joint management and the delivery of shared services - Sign off by both Councils 	Monthly reports to Mgmt Team	Work to commence post May '11 elections.
Robust Financial Regulations		Achieving savings identified – Accommodation	PW	Wesham site disposal in Oct 2011 St Davids Road site disposal in Oct 2011, Public Offices disposal in Oct 2012. A delay in disposing these sites will affect achievement of these savings.		Oct 11 Oct 12
Reserves and Balances Policy		Achieving savings identified – Terms & Conditions	PWw/AO	<ul style="list-style-type: none"> - Implement savings on management costs re: terms and conditions - Implement savings with respect to wider workforce 		Apr 12 Nov 11
Treasury Management Strategy in place		Quarterly information from Revs & Bens service to inform New Homes Bonus payments	TS/POD	<ul style="list-style-type: none"> - Agree the provision of the information with the Shared Service - Monitor information 		Jun 11

Previous growth items suspended		Review Reserves & Balances Policy	JS/POD	- Reviewed by S151 annually as part of MTFS process and formally signed off by Portfolio Holder/Cabinet annually in January		Jan 12
Significant in-year savings achieved						

Risk Management Action Plan No: 2

Champion – Chief Executive

2011/1212 Risk Register

Issue: Partnerships	Description: Managing the Council's partnership working with our neighbouring authorities.
Council Objective	Performance

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Identified preferred strategic partner		Establish project team (with partner) to develop business case using project planning templates	Ch Ex	Project team established & met. Outline business case published	Six monthly	Nov 11
Project Team established		Establish communication strategy in relation to the above.	Ch Ex	Included in the above.	Six monthly	Nov 11
Member Group established		Investigate opportunities of working with One Connect (LCC)	Dir of Cust. & Ops Services	Options appraisal report considered by portfolio holder	N/A	Jan 12
SLA's in place for existing shared services		Review existing shared service SLA's	Dir of Gov. & Partnerships	Presentation of review reports to Scrutiny Committee	Annually	Mar 12
Signed up to LCC framework agreement		Implement Wyre waste contract exit strategy.	Dir of Cust. & Ops Services	Smooth contract handover on 31.03.12	Year end	Mar 12
Existing ICT infrastructure with LCC/Wyre/Blackpool						
Agreed exit strategy for Wyre contract						
SLA's actively monitored						
Scrutiny of partnerships						

Risk Management Action Plan No: 3
Champion – Director of Community Services

2011/1212 Risk Register

Issue: FBC Solutions Ltd	Description: To achieve the successful set up and operation of FBC Solutions Ltd
Council Objective	Performance

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Business case produced		Check Member (new administration) buy in to progress principle of trading as FBC Solutions	Ch Exec	Members restate commitment to principle	Quarterly	Jun 11
Current contract success		Develop business plan and organisational impact assessment, to address legal and financial implications of set up including VAT / taxation, marketing, audit, staffing costs etc.	Dir Comm. Services	Business plan developed	6 monthly	Nov 11
Invested in depot facility at Snowden Road		Present business plan for Member approval and commitment to trading as FBC Solutions for medium term	Ch Exec	Business plan approved and FBC commits to trading as FBC Solutions for medium term	6 monthly	Dec 11
		Appoint Directors and Managing Director	Ch Exec	Appointments made	6 monthly	Jan 12

Risk Management Action Plan No: 4

Champion – Director of Strategic Development

2011/1212 Risk Register

Issue: Accommodation	Description: To complete the accommodation project
Council Objective	People, Performance

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Option selected (current preferred) (Town Hall)	Consider depot/storage needs/rationalise	PLW/GS	Storage needs identified, specified and costed		Jun 11
Initial proposals produced	Receive bids for site disposals report to members to agree sale	PLW/GS	Bids received and evaluated and report prepared for members		Aug 11
Surplus assets identified	Once members agree the sale complete legal agreements & transfer sites – Derby Rd & St Davids Rd	GS/IC	Complete agreements		Dec 11
Consultation on proposals undertaken	Submit planning application for work on Town Hall, complete surveys necessary to achieve planning permission	AD/SB	Application submitted surveys completed & application processed and determined		Jul 11
MTFS reflects costs/savings	Works tendered & contractor appointed	PLW/AD/SB	Contractor appointed		Oct 11
Layout plans agreed	Staff decampment and works commenced	AD/SB	Some staff moved to allow phase 1 to commence		Jan 12
Cabinet sub-committee on Accommodation	Public Offices disposed of by Oct 2012	PLW/GS	Site disposed		Oct 12

Risk Management Action Plan No: 5

2011/1212 Risk Register

Champion – Director of Strategic Development

Issue: Planning LDF	Description: Successfully complete the Fylde Borough Council LDF
Council Objective	Places, People, Prosperity, Performance

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Preparation of evidence base commenced		Consultation responses – confirm & publish vision summary of issues	ME/JG	All representations addressed and plan updated or reason for not adopting suggestions provided. Summary of issues agreed by Council		Jul 11
Formed LDF steering group		Prepare Scoping Report and Consult with Statutory Bodies and calculate draft housing requirement	ME/JG	Consultation with statutory agencies completed & draft housing requirement agreed for consultation		Aug 11
Identified & confirmed resources to deliver corporate strategy		Complete Topic Papers and propose policy options to deal with identified issues	ME/JG	Topic papers completed and published for comment. Option papers prepared & published for consultation		Oct 11
Considered impact of localism bill		Carry out sustainability appraisal of options, complete Habitats Regulations Assessment of options & consult on proposed options	ME/JG	Sustainability report completed in line with agreed matrix, appropriate assessment completed & options consultation completed		Dec 11

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Undertaken Vision, Issues and Objectives consultation		Analyse consultation responses and select preferred options	ME/JG	All representations addressed and plan updated or reason for not adopting suggestions provided & preferred option published		Apr 12
Updated Statement of Community Involvement						

REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	23 JUNE 2011	6

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 for approval.

Recommendation

1. Approve the Annual Governance Statement for signature by the chairman.

Reasons for recommendation

To meet the statutory requirement for the Council to approve an Annual Governance Statement

Alternative options considered and rejected

There are no alternative options available

Cabinet portfolio

The item falls within the following cabinet portfolio: Finance and Resources – Councillor Karen Buckley

Report

1. A sound system of corporate governance underpins the achievement of all the Council's corporate objectives. It is central to ensuring that the Council is a high performing organisation and forms a significant element of external audit assessment.
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

Continued....

3. The preparation and publication of an annual governance statement is necessary to comply with Regulation 4(3) of the Accounts and Audit Regulations 2003, 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. Under each core principle, the code identifies a series of sub-principles, which in total provide a checklist. The Corporate Governance Group, consisting of the Chief Executive, the Director of Governance and Partnerships, the Section 151 officer, the Chief Internal Auditor and the Head of Governance, or the nominee of each such officer, has conducted a self-assessment of the council's governance against this checklist.
9. The council must publish the results of this self-assessment, including any significant non-compliance issues, 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 chairman of the committee, the council leader, the chief executive, the section 151 officer and the monitoring officer.
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.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2003.
Community Safety	None
Human Rights and Equalities	None
Sustainability 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 Scholes	(01253) 658521	6 June 2011	

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	2010/11	Town Hall, St Annes

Attached documents

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2011

Scope of responsibility

Fylde Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. 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 2011 and up to the date of approval of the annual report and statement of accounts.

The governance environment

Principles

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

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively
6. Engaging with local people and other stakeholders to ensure robust accountability

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 cabinet questions.

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 even when not required to by legislation, 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 work of the Committees is co-ordinated by a Scrutiny Management Board consisting of the chairmen and vice chairmen of the overview and scrutiny committees.

The Council's Standards Committee deals with all aspects of advice and guidance for Members on matters of conduct, ethics, propriety and declaration of

interest. It also assesses, oversees and determines complaints made against Members under the Code of Conduct. The Committee normally has five independent persons appointed to it. An independent person chairs the committee and all of its subcommittees.

The Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of allegations of misconduct as referred by the Assessment Sub-Committee 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.

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 Head of Governance as Monitoring Officer. The Monitoring officer must ensure compliance with established policies, procedures, laws and regulations. He must report to the full Council or cabinet as appropriate if he 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 Deputy Head of Finance at Preston City Council 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 2003.

Four directors report to the chief executive and collectively form the authority's management team. 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 their directorate.

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 to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom'.

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 Borough 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, 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 to the Management Team and the Cabinet. Corrective action is required where there is any 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 and member risk champion attend group 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, directors are required to incorporate a register of risks relevant to their directorate 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. The Internal Audit Team is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by the team.

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 Whistle blowing 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. The authority's Partnership Working Protocol has been developed and is applied to ensure that appropriate governance arrangements are in place with those partnerships to ensure that aims and objectives can be achieved.

Review of effectiveness

The authority works closely with auditors, KPMG, to ensure that value for money is achieved whilst delivering high quality services. This, together with the authority's 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 Chief Internal Auditor is required to produce an Annual Report and provide an opinion on the effectiveness of the authority's internal control system.

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, the Director of Governance and Partnerships, the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor, 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 Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Group has also considered directorate assurance statements. 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 interim report.

In accordance with the Accounts and Audit (Amendment) Regulations 2003, a review of the system of internal audit has been carried out by the Council's external auditors against the Code of Practice for Internal Audit in Local Government and the results reported to the Audit Committee. The review concluded that internal audit met the appropriate professional standards required by the Code.

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

Building on 2010/11 improvements the Council has identified the following areas where it wishes to see improvements in 2011/12:

1. The development of corporate purchasing arrangements will be finalised with the roll out of the Civica purchasing module on an authority-wide basis
2. Data Protection and Freedom of Information training and guidance will be provided for staff to refresh and embed knowledge concerning the individual's right to privacy with respect to the handling and processing of personal data

3. Training and guidance will be provided on equalities to ensure staff have the requisite knowledge concerning this area taking into account recent changes in legislation
4. Procurement arrangements will be enhanced further to achieve best value and effective use of resources
5. Business Continuity arrangements will be reviewed and refreshed to ensure that contingency plans remain robust in light of any emergency which may face the Council

Although not an area necessarily for improvement it has also been identified that the Council will have to respond to emerging issues currently identified within the Localism Bill when enacted.

On the basis of the work carried out, which has been reviewed by the Audit Committee, we are satisfied that the Governance Framework is effective. We propose over the coming year to address the above matters to further enhance our governance arrangements. 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.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	23 JUNE 2011	7

REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS

Public/Exempt 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 quarter to March 2011, there were no authorised operations. In the quarter to June 2011 there have been none at the date of writing.

Recommendation/s

1. Note the information in the report.

Cabinet portfolio

The item falls within the following cabinet portfolio[s]: Finance & resources: (Councillor Karen Buckley).

Report

The RIPA framework

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.

Continued....

2. Fylde Borough 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. All authorisations are recorded centrally by the Head of Governance.
5. New regulations made last year 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 2011	0	0	0	
Apr- Jun 2011 ¹	0	0	0	

IMPLICATIONS	
Finance	No direct financial implications. This work will be delivered within existing revenue budget resources.
Legal	<p>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.</p> <p>The council is only able to authorise surveillance under RIPA if it is for the purpose of preventing or detecting crime or preventing disorder.</p>
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.

¹ Correct at the time the report was written. Any update will be reported verbally at the meeting and in writing in the next quarterly report.

Sustainability	None arising directly from this report.
Health & Safety and Risk Management	None arising directly from this report.

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	3 June 2011	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
None		

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	23 JUNE 2011	8

INTERNAL AUDIT ANNUAL REPORT 2010-11

Public Item

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

Summary

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 2010 to March 2011 and performance information for the same period.

The report meets the Head of Internal Audit's responsibility under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Recommendation

1. To approve the annual report of the Head of Internal Audit
2. To note the Internal Audit opinion that reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council

Reasons for recommendation

The report is principally informative and provided for the purpose of assurance.

Alternative options considered and rejected

In accordance with the Audit Committee's terms of reference, no other course of action is available to the Committee

Cabinet Portfolio

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

Continued....

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

Internal audit operates in compliance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The definition of internal audit, as described in the Code, is set out below:

- ♦ Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- ♦ Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

1.3 Purposes of the Report

1.3.1 The statutory Code of Practice for Internal Audit in Local Government in the United Kingdom requires that the Head of Internal Audit must provide a written report to those charged with governance, timed to support the Annual Governance Statement.

1.3.2 The Head of Internal Audit's annual report to the organisation must:

- Include an opinion on the overall adequacy and effectiveness of the organisation's control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets
- Comment on compliance with the standards (the Code of Practice) and communicate the results of the internal audit quality assurance programme

1.3.3 The report also summarises the activities of internal audit for the financial year 2010-11 to provide managers and members with the opportunity to review the service provided to the Council.

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 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, based upon the work we have undertaken, for the 12 months ended 31 March 2011, reliance can be placed on 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. There were no qualifications to the opinion.

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 2011 (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 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 2010/11

2.4.2 The main part of the external auditor's work relates to the Council's financial accounts. The external auditor's Annual Audit and Inspection Letter for 2009/10, which was reported to the meeting of the Audit Committee on 23 September 2010, allowed some satisfaction to be drawn from positive comments in relation to the good quality of the accounts and working papers and the strengthened financial reporting process.

2.4.3 The Annual Audit Letter, presented to the 31 January 2011 meeting, reported that an unqualified opinion on the Council's accounts was issued. There were no recommendations arising from the external auditor's work.

2.4.4 The Certification of Grants and Returns Report, also reported to the January committee, summarised outcomes of the external auditor's certification work. An unqualified certificate was issued for all grants and returns in 2009/10.

Other External Inspection

2.4.5 There have been no governance or control based external inspections or assessments during 2010/11, other than the normal external audit work

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 An audit of the risk management process carried out during the year provided moderate assurance that the controls in operation were adequate, and were being applied. It is considered that although reliance can reasonably be placed on the effectiveness of the Council's risk management arrangements, the implementation of audit recommendations will improve the assurance level to substantial.

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 24 June 2010.

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 there were no fundamental weaknesses or exceptions to report. Some areas for improvement or development are included in the 2011 Annual Governance Statement.

Internal Audit

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

2.4.11 The guidance relating to the assessment of internal audit allows for different methods of review. The expected understanding is that reviews of internal audit by external audit will take place triennially. In other years the spirit of the regulations points to an independent review conducted externally where possible. However, this needs to be balanced against the practicalities either in terms of cost or the resources required to undertake a reciprocal external review each year.

2.4.12 Therefore, the following approach has been adopted for each three year period:

Year 1 - Assessment by external audit

Year 2 - Self assessment via the checklist with independent and reciprocal peer review

Year 3 - "Light touch" approach – review checklist and the completion of any actions outstanding from the previous reviews

2.4.13 Year 3 of this cycle was reached in 2010-11 and consequently a 'light touch' self assessment exercise was carried out. Compliance with the Code of Practice was confirmed, performance against targets was assessed and a comparison of bench-marked costs with other Lancashire districts was made. A report of this exercise was presented to the Audit Committee on 23 September 2011. There were no actions arising from the review.

Internal Control

2.4.14 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.

2.4.15 During the financial year 2010-11 twenty four (24) reports were issued with a further report (2) agreed subsequently that were in progress 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 are available to view via the Audit Work page on the Intranet.

2.4.16 In action plans arising from audit work, we categorise recommendations 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.

2.4.17 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

2.4.18 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
IT Code of Connection ¹	1	7	3	Substantial
HMO Licensing ¹	1	3	5	Limited
Main Accounting ¹	-	5	3	Substantial

Contract Procedures & Tendering ¹	-	11	9	Moderate
Council Tax ¹	-	4	3	Substantial
Business Rates	-	3	-	Full
Asset Management	-	8	2	Limited
Cash Collection	-	8	3	Substantial
Creditors	-	1	2	Substantial
Development Control (Strategic Dev. Dir.)	1	8	6	Limited
Development Control (Customer Services)	-	2	2	-
Complaints	-	6	8	Moderate
Expenses	-	1	7	Substantial
Sundry Debtors	-	2	2	Full
Sandwinning (Strategic Development Dir.)	2	4	-	None
Sandwinning (Finance)	-	-	1	-
Information Governance ²	5	2	-	-
Officer's Car Loans	-	-	4	Moderate
Payroll	-	5	8	Substantial
Members' Allowances	-	1	-	Substantial
Annual Leave & Flexi-time	-	3	5	Moderate
Mayoral Charity	-	4	6	Moderate
Dog Kennelling	-	13	2	Limited
Civica Application ³	2	6	1	-
Risk Management ⁴	-	8	4	Moderate
Housing & Council Tax Benefits ⁴	-	6	1	Substantial
Total	12	121	87	

¹ Reviews from 2009/10 finalised in 2010/11

² Review performed by LCC

³ Non-Assurance Review

⁴ Finalised after year-end

2.4.19 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	2006/07	2007/08	2008/09	2009/10	2010/11	Average
All Reviews Average	3.4	3.4	3.1	3.5	3.3	3.3
Main Financial Systems:	3.4	3.7	3.4	3.8	4.2	3.7
<i>Business Rates</i>	4.2	4.3	3.8	*	4.5	4.2
<i>Cash Collection</i>	3.0	3.5	3.5	3.8	3.8	3.5
<i>Council Tax</i>	3.8	4.3	3.8	4.0	*	4.0
<i>Creditors</i>	3.2	2.9	2.9	4.0	4.4	3.5
<i>Housing Benefits</i>	4.5	4.8	4.1	*	4.0	4.4
<i>Main Accounting</i>	*	*	3.5	3.5	*	3.5
<i>Payroll</i>	2.5	3.0	3.0	3.4	3.6	3.1
<i>Sundry Debtors</i>	3.1	3.9	3.3	4.0	4.6	3.8
<i>Treasury Management</i>	2.7	2.8	2.4	4.2	*	3.0

* Not Undertaken

2.4.20 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 3.3. Main financial systems had a better average score of 4.2. The 'All Reviews' figure shows a downturn compare to last year but equals the five year average score. In the case of the 'Main Financial Systems' the figures show a clear improvement on the previous year, exceed the five year average and represent the highest score achieved.

2.4.21 The 'All Reviews' score equates to moderate assurance, while the 'Main Financial Systems' score equates to substantial assurance. Taken together they indicate that overall there is a basically sound framework of control in place but some controls in the systems reviewed were not operating effectively.

2.4.22 There were twelve high priority controls brought to the attention of management during the year and one unresolved item brought forward from 2009/10. Dates for remedial actions to be in place were agreed with management for all of them.

2.4.23 Table Four sets out the issues, the relevant department and the agreed dates for resolution.

Table Four: High Priority Risks Identified

Risk	Directorate	Resolution Date
1. A group was not established to oversee the Code of Connection implementation project	Customer & Operational Services	Completed
2. Production of mandatory certificates for licensed HMO properties was not enforced	Community Services	Completed
3. Income received via the Planning Portal could not be reconciled either in total or to applications processed	Strategic Development	Completed ²
4. The licence for sand extraction had expired and MT had not established a proper basis for operations	Strategic Development	Completed
5. Insurance certificates in relation to the sand extraction operation had not been examined	Strategic Development	Completed ²
6. A Senior Information Risk Owner had not been identified with responsibility for data security	Corporate	Completed
7. Information Asset Owners had not been nominated for all key data sets containing personal data	Corporate	Completed ²
8. A comprehensive information audit was required to identify how personal data is secure and protected	Corporate	Completed ²
9. An action plan was needed to address areas of data security weakness that may be identified	Corporate	May 11 ¹
10. A Corporate Information Security Policy had not been developed	Governance & Partnerships	Completed
11. Annual system upgrades and bug fixes were not carried out as required by contract terms	Customer & Operational Services	Jan 11 ¹
12. System upgrade process was not carried out in test environment before migrating to live	Customer & Operational Services	Completed ²

¹ Implementation in progress

² Subject to evidential verification

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

- Ten risks have been addressed in full or substantially – numbers 1,2, 3, 4, 5, 6, 7, 8, 10, 12
- Two agreed actions are in the process of being implemented – numbers 9, 11

Actions 9 and 11 were both dependent upon the completion of actions 7 and 8, which themselves were delayed in their implementation from the original dates.

Follow Up

2.4.25 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Twenty five (25) follow-up reviews have been completed during the year. Table Five shows the total number and percentage of agreed recommendations that were implemented by managers.

Table Five: Agreed Recommendations Implemented

Audit Area	<i>R e c o m m e n d a t i o n s</i>		
	Total Agreed	Number Implemented	% Implemented
Previous Years' Reports			
Interest, Gifts & Hospitality	14	14	100%
IT Application (Civica - Financials)	5	4	80%
Cheques (OSS)	1	1	100%
Petty Cash/Floats (Finance)	4	4	100%
Fraud Awareness (HR)	3	3	100%
Officers' Expenses	10	10	100%
Council Tax (Governance)	1	1	100%
Land Transactions	5	5	100%
IT Application (LALPAC)	7	7	100%
IT Application (Acolaid)	8	8	100%
Cheques (Finance)	1	1	100%
Vehicle & Plant	12	12	100%
Petty Cash & Floats (Community Servs)	2	2	100%
Council Tax (Revenues)	6	6	100%
IT Application (Paybase)	8	6	75%
Contracts & Tendering (Finance)	1	1	100%
Anti-Fraud & Corruption (HR)	5	3	67%
Treasury Management	2	1	50%
HMO Licensing	9	9	100%
Performance Indicators	10	10	100%
2010/11 Reports			
Sandwinning (Finance)	1	1	100%
Complaints	14	14	100%
Creditors	3	3	100%
Officer's Car Loans	4	3	75%
Development Control (Customer Servs.)	2	2	100%
Total	138	131	94.9%

2.4.26 The overall implementation rate for all reports followed up in 2010/11 is 94.9% compared to last year's 92.0%. This is the highest overall implementation figure achieved, and exceeds the target of 90%. The effect of the Internal Audit Reports Protocol, which limits the number of time extensions to one and permits the escalation of outstanding issues to the most senior levels of management, may be a continuing positive factor.

2.4.27 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. Those 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					
Interest, Gifts & Hospitality	-	-	9	-	100%
IT Application (Civica - Financials)	-	-	3	1	75%
Cheques (OSS)	-	-	1	-	100%
Fraud Awareness (HR)	-	-	1	-	100%
Officers' Expenses	-	-	4	-	100%
Council Tax (Governance)	-	-	1	-	100%
Land Transactions	4	-	1	-	100%
IT Application (LALPAC)	-	-	2	-	100%
IT Application (Acolaid)	-	-	6	-	100%
Vehicle & Plant	-	-	7	-	100%
Petty Cash & Floats	-	-	2	-	100%
Council Tax (Revenues)	-	-	3	-	100%
IT Application (Paybase)	-	-	5	1	83%
Anti-Fraud & Corruption (HR)	-	-	-	2	0%
Treasury Management	-	-	-	1	0%
HMO Licensing	1	-	3	-	100%
Performance Indicators	-	-	5	-	100%
2010/11 Reports					
Complaints	-	-	6	-	100%
Creditors	-	-	1	-	100%
Development Control (Customer Ser.)	-	-	2	-	100%
Total	5	-	62	5	93.1%

2.4.28 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 2010/11 was 93.1% compared to last year's 93.3%. This result is slightly lower than the overall rate and below the target of 95%.

2.4.29 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	2006/07	2007/08	2008/09	2009/10	2010/11	Average
Overall Implementation %	63.4	82.6	78.5	92.0	94.9	82.3
High/Medium Implementation %	63.7	80.5	75.4	93.3	93.1	81.2

2.4.30 The general progress over the period is clearly demonstrated by the table. It can be seen that last year's improved rates of implementation have been consolidated in 2010/11. The overall

rate of implementation was highest achieved and the percentage of high and medium priority recommendations implemented showed only a marginal reduction from last year's highest 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 one special investigation into allegations of fraud and corruption. This arose as a result of an allegation from a member of staff. However, the investigation was ended when co-incidentally the circumstances that gave rise to the allegation ceased to exist and it was concluded that evidence to substantiate a case would no longer be available. The matter was passed to line management for action.

3.1.2 Table Eight summarises the results of the various special investigations during 2010/11 compared with previous years.

Table Eight: Results of Special Investigations

Outcome	Number 2006-07	Number 2007-08	Number 2008-09	Number 2009-10	Number 2010-11
Disciplinary action	1	4	3	-	-
Employee Resigned prior to conclusion	-	1	-	-	-
No evidence to support allegation	2	1	-	1	-
Inconclusive evidence	2	1	-	-	-
Investigation terminated	-	1	-	-	1
Police investigation, inconclusive	2	-	-	-	-
Standards Board referral, no action	1	-	-	-	-
Investigation Ongoing	-	-	-	-	-
Total	8	8	3	1	1

3.1.3 In addition to the single investigation undertaken in 2010/11 by the audit team, the Head of Internal Audit assisted our external auditors in connection with elector questions relating to tendering procedures. This exercise has continued into 2011/12.

3.1.4 Altogether a total of 14.5 days was taken up dealing with reactive fraud work during the year. This compares with a total of 18 days spent on reactive fraud in 2007/08 and 17 days in 2008/09. The fact that the incidence of reported fraud remains at such a low level suggests good standards of probity among Council employees, reinforced by the Council's zero tolerance commitment to fraud and corruption.

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. Savings generated from the exercise are estimated to be around £25,000 most of which will be ongoing in future years. The main savings in previous years were achieved in the area of Council Tax with around many Single Person Discounts discontinued.

Benefit Fraud

3.1.6 The Head of Internal Audit is responsible for overseeing the delivery of the benefit fraud service provided by Preston City Council. The performance measures in the Service Level Agreement were all substantially exceeded. In 2010/11 323 investigations were concluded against a target of 275, resulting in overpayments identified of £195,407 against the annual target of £110,000 with 37 prosecutions and sanctions against a target of 36.

Other Counter Fraud Work

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

- prepared and delivered Manager's Fraud Awareness presentation to all Directorates highlighting common types of fraud, why fraud is committed and ways to reduce the incidence of fraud
- completed Audit Commission Fraud & Corruption modules to highlight areas of potential fraud risk
- performed a 'fitness for purpose' check and comprehensive refresh of the Council's Anti-fraud & Corruption, Whistleblowing, Money Laundering and Sanction & Prosecution policies
- 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 clients, 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 new governance framework the Head of Internal Audit is a member of the Corporate Governance Group, which leads on the production of the Annual Governance Statement and the monitoring of the Corporate Governance Improvement Plan.
- ♦ Performance Management - performed a detailed verification of the information, data and calculations supporting the published National Indicator figures. The input from Internal Audit resulted in a fully accurate publication of performance indicators.
- ♦ Strategic Risk Management - jointly led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management day in conjunction with the Risk Management Officer.
- ♦ New Burdens Grant (Efficiency Information & Council Tax Demands) - carried out investigations to ensure conditions applying to the grant were complied with.
- ♦ Mobile Phones - provided assurance to s.151 Officer concerning the Council's arrangements for employee mobile phones.
- ♦ Civica Authority Financials Application - investigated the circumstances leading to the partial failure of the system and developed a preventative action plan
- ♦ Lowther Trust - provided assurance to the Trust's auditors with regard to financial and other associated operations.
- ♦ Forensic Readiness – assessed arrangements for the collection of digital evidence to the standard required for civil proceedings and tribunals in response to internal user abuse of an organisation's computer system
- ♦ Business Process Re-engineering - the Senior Auditor is a trained member of the BPR Group and has contributed to several projects to raise the efficiency and effectiveness of Council operations within the context of a robust control framework.

4 Performance of Internal Audit

4.1 Internal Audit Plan

4.1.1 A risk assessed annual audit plan was prepared for 2010-11 based on the resources available. The plan was agreed by the Management Team and received approval from the Audit Committee. The total number of days in the plan was 648, not including non-productive time for things such as holidays, sickness and training.

4.1.2 In the event the outturn figure was 713 days, an increase of 65 days largely as a result of filling the post of part time audit assistant combined with the low sickness rate for the audit team, which allowed additional days to be used productively. 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	119	18.4	132	18.5
Strategic Risks	61	9.4	59	8.3
Operational Risks	66	10.2	98	13.8
Corporate Governance	35	5.4	23	3.2
Performance Management	14	2.2	18	2.5
Computer audit*	23	3.6	26	3.7
Anti-fraud audit	24	3.7	27	3.8
Other audit	19	2.9	16	2.2
Reactive audit	45	6.9	43	6.0
Consultancy & Advice	23	3.6	35	4.9
Management & Admin	154	23.7	175	24.5
Non-Audit Work	65	10.0	61	8.6
Total	648	100%	713	100%

* Does not include bought-in days

4.1.3 The analysis of outturn days shows that rather more time was spent on main financial systems than was planned. This was caused by increases generally on most of the audits undertaken, offset to partially by some of the work on the Housing Benefits audit, carried out jointly with Blackpool Council internal audit, slipping into the following year. Although the time on strategic risks is similar overall, there were differences within this category. The Purchasing audit could not be undertaken because the relevant system module was not rolled to users but the time saved was used to complete the planned review of Asset Management, which took longer than anticipated. Additional time was also spent on operational risks, in particular for the Annual Leave & Flexitime and Development Control audits. The first was as a result of considerable analysis and observations required, while the second was a more detailed piece of work than originally envisaged. The time spent on consultancy and advice also increased. Naturally internal audit is always accessible to provide *ad hoc* advice to managers and it is impossible to estimate with any precision how much time will be needed in any period.

4.1.4 There were two main areas where actual days totalled significantly less than planned – corporate governance and non-audit work. The time saved in relation to corporate governance was as a result of not undertaking the planned work in connection with the Use of Resources regime, which was abolished by the government. The non-audit work undertaken by the team tends to reduce slowly year-on-year and this trend has continued.

4.1.5 The percentage of the 2010/11 revised audit plan completed to 31 March was 93.9%, exceeding the 90% target for the year. However, taking into account the completion of ongoing audit work slipped into 2011/12 the annual rate now stands at 96.4%.

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. 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	85	50	42	8	-	-
Review was carried out in a timely and efficient manner	84	50	42	8	-	-
Auditors were polite, positive and professional	94	92	8	-	-	-
Involvement of auditee in the process was appropriate	92	75	25	-	-	-
Well structured and clear audit reporting	90	67	33	-	-	-
Findings and recommendations were accurate and useful	87	50	50	-	-	-
Review provided assurance or resulted in beneficial change	86	59	33	8	-	-
Average	88	63	33	4	-	-

4.2.2 The overall satisfaction rate was 88% slightly below the 90% target. However, it is pleasing to note that 96% of managers responding considered the audit service delivered to be either excellent or good. Unfortunately only about a half of surveys issued were returned completed by managers.

4.3 Performance Indicators

4.3.1 In 2009 an exercise was carried out to canvass the views of stakeholders in developing a new suite of performance indicators for internal audit. This was one of the enhancements to arrangements arising from the review of internal audit effectiveness.

4.3.2 Subsequently the Audit Committee adopted the seven indicators that had received the highest usefulness rating and established targets for achievement. Table Eleven sets out the targets for 2010/11, together with the actuals. The description of indicator IA7 was amended slightly to allow for easier calculation, from percentage of recommendations implemented by first agreed date to the current definition.

Table Eleven: Performance Indicators for Internal Audit

Performance Indicator	Target 2010/11	Actuals 2010/11
IA1 % of audit plan completed	90%	96.4%
IA2 % satisfaction rating indicated by post-audit surveys	90%	88.2%
IA3 % of audit recommendations agreed with management	95%	98.6%
IA4 % of agreed actions implemented by management	90%	94.9%
IA5 % of 'High Priority' actions implemented by management	100%	100%
IA6 % of 'High/Medium Priority' actions implemented by management	95%	93.1%
IA7 % of recommendations implemented at initial follow up	75%	81.8%

4.3.3 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 the audit service as a result of management's action or inaction.

Risk Assessment

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

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658	23/06/11	

List of Background Papers		
Name of document	Date	Where available for inspection
Audit Plan 2010-11	March 2010	Internal Audit Office by arrangement
Audit reports & documents	Various	

IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2011 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.</p> <p>There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control (Accounts and Audit Regulations 2011)</p> <p>A number of audit projects carried out in 2010/11 related to finance, resource or property</p>
Legal	<p>The report also contributes towards the production of the Annual Governance Statement published each year by the Council.</p> <p>Effective audit and risk management enhance good governance and probity of Council action</p>
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental Impact	None arising directly from this report

<p>Health & Safety and Risk Management</p>	<p>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.</p>
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REPORT

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF AUDIT	AUDIT COMMITTEE	23 JUNE 2011	9

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.

Recommendations

1. 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.

Reasons for recommendations

Adherence to CIPFA's Audit Committee Self-Assessment Checklist provides an indication as to the effectiveness of the committee and permits any divergence from the standard to be highlighted.

Alternative options considered and rejected

No other course of action is advocated.

Cabinet Portfolio

The item falls within the following executive portfolio[s]:
Finance & Resources (Councillor Karen Buckley)

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 2011.
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. This is the third year that the effectiveness review has been undertaken and the 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 four areas where partial divergence from the standard was noted. Only the need for induction training to be provided for new members of the committee was considered to be significant in terms of committee effectiveness. Taking account of the induction training to be offered, there were no other matters that required attention.
7. 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

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	23/06/2011	

List of Background Papers		
Name of document	Date	Where available for inspection
A Toolkit for Local Authority Audit Committees (CIPFA)		All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email saviles@fylde.gov.uk

Attached documents

1. Audit Committee Checklist.

IMPLICATIONS	
Finance	This will enhance good governance and probity
Legal	None arising directly from the report
Community Safety	None arising directly from the report
Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
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

AUDIT COMMITTEE – SELF ASSESSMENT CHECKLIST 2011

Appendix

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 agreed by Council on 26 th July 2010. They are reviewed and updated annually.
Do the terms of reference follow the CIPFA model?	✓			The Terms of Reference were set up in line with the CIPFA core functions. Two significant additional functions have been added to the committee's role – approving the annual statement of accounts and advising the Council on changes to the Constitution. Furthermore, with effect from the above meeting the Statement of Purpose and the full Terms of Reference suggested 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?	✓			<p>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.</p> <p>The triennial reviews of Internal Audit carried out by the Audit Commission, are also reported to the Audit Committee.</p> <p>The annual review of the effectiveness of the system of Internal Audit is also presented to the Audit Committee.</p>

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
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.
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 where appropriate.
Does the committee input into the external audit programme?	✓			The external audit programme is presented 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?	✓			<p>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.</p> <p>The Committee can require any officers to attend to explain non-implementation of external audit actions.</p>

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
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 the action plan of improvements is monitored by the Audit Committee periodically.
♦ 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.
♦ 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.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
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?		✓		<p>The Chair of Audit Committee is free of executive functions but serves on the Community Focus Scrutiny Committee although not as a Chair/Vice.</p> <p>The independence of the Chair was not thought to be compromised.</p>

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are members sufficiently independent of the other key committees of the Council?		✓		<p>In the main yes but one Member act as Vice Chair of a scrutiny committee (Coun. Akeroyd) and one is Vice Chair of a regulatory committee (Coun. Ackers).</p> <p>The independence of the Audit Committee was not thought to be compromised.</p>
Have all members' skills and experiences been assessed and training given for identified gaps?		✓		<p>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.</p> <p>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.</p> <p>There are four new members of the Audit Committee; although none were newly elected to the Council. Specific training in advance of the first meeting has been arranged based on the above skills to address the main potential gaps.</p> <p>The induction training offered is designed to address this concern. (Specific training for the Audit Committee is considered below)</p>
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 both 2010-11 and 2009-10 the committee actually met on six occasions.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are separate, private meetings held with the external auditor and the internal auditor?	✓			<p>Private meetings with external audit do not happen as a matter of course but if such meetings were required they could be arranged.</p> <p>Private meetings between the Chair and Vice Chair of the Audit Committee and the Head of Internal Audit occur a couple of times annually, once for the purpose of identifying strategic risks and once for 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.</p>
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?	✓			In general papers are circulated well in advance and agenda papers are also available on the internet. However, some reports were submitted late such that members had insufficient time to properly assimilate the contents. Consequently this point was addressed as part of last year's committee assessment. Since then no internal reports have been issued with the agenda in accordance with the timetable.
Does the committee have the benefit of appropriate officers at its meetings?	✓			The Chief Executive, Section 151 Officer/Deputy and the Head of Internal Audit are regular attendees. Other officers attend as required. Representatives of the Audit Commission and KPMG 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 during 2010/11 was a session on the role of external audit presented by KPMG, a joint training event hosted by Preston City Council relating to Treasury Management and a presentation on the role of internal audit from the Head of Internal Audit. Planned sessions on the role of the Audit Committee, Corporate Governance, Risk Management, the role of the Section 151 Officer and the International Financial Reporting Standards will be delivered in the current year specifically for Audit Committee members, and in particular councillors joining the committee for either the first time or after an extended period.
Administration				
Does the authority's s151 officer or deputy attend all meetings?		✓		In 2010-11 six meetings of the Audit Committee took place. The Section 151 Officer attended 5 of them. Neither the Section 151 Officer nor Deputy Section 151 Officer attended the meeting of the 24 June 2010. Although one meeting was not attended by the s151 officer or deputy this was not thought to undermine the effectiveness of the committee.
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.

Audit Committee



Date	Thursday, 31 March 2011
Venue	Town Hall, St. Annes
Committee members	Councillor Linda Nulty (Chairman) Councillors Ben Aitken, Christine Akeroyd, Keith Hyde, Louis Rigby
Other Councillors	None
Officers	Joanna Scott, Tracy Scholes, Savile Sykes, Paul Rogers
Other Attendees	Iain Leviston and Trevor Rees(KPMG)

In the absence of the Chairman, Councillor John Singleton, Councillor Linda Nulty, Vice-Chairman, was appointed Chairman for the purposes of the meeting.

1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000. No members declared any interests.

2. Confirmation of Minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 8 December 2010 as a correct record for signature by the chairman.

3. Substitute members

There were no substitutions.

4. Certificate of Grants and Returns

Iain Leviston, Manager - KPMG, presented a report which summarised the results of the work on the certification of the Council's 2009/10 grant claims and returns. He made particular reference to the summary of certification work outcomes on page 12. He emphasised that all three grants and returns had been signed off with one minor amendment to the final figures of the Housing and Council Tax Benefit and the change was summarised on page 13 of the report. Page 14 gave a breakdown of the certification fees 2009/10 which were lower than the original estimate.

It was RESOLVED that Audit Committee notes the report.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

5. Annual Audit and Inspection Letter 2009/10

Iain Leviston presented the Annual Audit and Inspection letter which gave the auditor's opinion on the council's performance and financial management and an opinion on the council's preparation of financial statements. The letter summarised the key issues arising from their 2009/10 audit of the council.

Councillor Linda Nulty referred to the Use of Natural Resources (UoNR) by the Council and asked how the Council should address the issue. Iain Leviston stated that the use of resources structure had changed for 2010/11 and that the Audit Commission had ceased UoNR scored assessments at local authorities. There would however be a value for money conclusion in relation to 2010/11 and he would be reviewing evidence and meeting with the relevant officers during April.

In response to Councillor Christine Ackroyd's question about the complaint from the elector, Trevor Rees, Engagement Lead - KPMG, informed members that he would be talking to Internal Audit regarding the issues raised in the complaint and he was hopeful that the matter would be completed by the end of May.

It was RESOLVED that the Annual Audit and Inspection Letter -2009/10 be noted

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

6. Audit Plan – KPMG

Iain Leviston presented the Audit Plan for the forthcoming financial year. He referred to the two key areas of work in 2010/11 which were Financial Statements and Annual Governance Statement and Value for Money Work. There would be a new approach to value for money work in relation to providing an external audit opinion about the Council's performance. The audit timetable had been set out on page 30. He emphasised the control evaluation process on the financial statements and their effectiveness. The August final statements would be brought to the September Audit meeting. He drew members' attention to the key financial statement audit risks for 2010/11 shown on page 33 of the report and these would be the focus of inspection activity. He emphasised to members that despite financial savings and income this year the, budget for future years would need to be looked at closely and such items as the New Homes bonus income projections would need to be verified. He made reference to the valuation of assets on page 35 and the issue identified 2 years previously which had been rectified. No issues had been identified with regard to the IFRS conversion process. He also advised that the audit work was planned to detect errors that were material to the accounts as a whole and this factor was set out under Materiality on page 38. The Audit fee was detailed on page 41 and he emphasised that the fee was in line with the mid point set by the Audit Commission. He advised that the fee can vary by up to 20 per cent but most Council's fees were at the mid point. Page 44 detailed the timetable to implement the Audit Plan and when reports were to be submitted to the Committee.

It was RESOLVED that in noting the report, the Committee expresses its satisfaction with the work carried out by KPMG and that Iain Leviston and Trevor Rees be thanked for their attendance.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

7. Regulation of Investigatory Powers Act (RIPA) 2000: Authorisations

Tracey Scholes, Director of Governance and Partnerships, presented a report regarding the Council's obligation to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to December 2010, there had been one authorised operation. In the quarter to March 2011 there had been none at the date of writing. She advised that RIPA Regulations regulates covert operations by public bodies such as Fylde Borough Council and gives powers of surveillance. In last quarter of 2010 there was one RIPA authorisation which was in relation to a benefits issue. She emphasised the two types of surveillance which the council could use and these were detailed in paragraph 3 of the report.

It was RESOLVED that the Committee notes the report.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

8. Internal Audit Plan 2011-12

Savile Sykes, Head of Internal Audit, presented a report which outlined the Internal Audit Plan for the financial year 2011-12 and briefly described the methodology used in its production. He advised that a risk-based audit plan had been prepared based on all the areas of work considered 'auditable' and taking account of consultations with Directors. The risk assessment considered materiality, business risk, assurance, sensitivity and time. The risk scores were statistically weighted and provided a level of relative risk for each system. He made reference to other elements in paragraphs 5 to 9 of the report, such as the inclusion of key financial systems, the annual review of corporate governance and anti-fraud activities. The Plan had been set out on pages 56 and 57 of the report. Several of the audits included would be carried out jointly with Blackpool Council. A contingency provision had also been included in the plan.

It was RESOLVED that the Annual Internal Audit Plan 2011-12 be approved.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

9. Annual Review of Counter Fraud Policies

Savile Sykes, Head of Internal Audit, presented a report regarding the annual review of the Counter Fraud policies which include the Anti-Fraud and Corruption Policy and Strategy, the Whistleblowing Policy, the Anti-Money Laundering Policy and the Sanction and Prosecution Policy. He reminded members that the Committee had agreed to an annual review in March 2010. All the policies had been refreshed. The Anti-Fraud and Corruption Strategy had been amended as indicated on page 59 and was attached to the report as an appendix. He drew members' attention to the Good Practice Guide for Computer Based Electronic Evidence issued by the Association of Chief Police Officers and commented that the policy now reflected this.

Councillor Nulty asked about the application of Whistleblowing policy by employees. Savile Sykes responded advising that there was bi-annual work to test employees reaction to its

usage. The previous testing carried out had showed that staff had confidence in the policy and were prepared to utilise it.

The other policies had not been significantly amended and were therefore not attached to the report. All the policies could be viewed on the Council's intranet.

It was RESOLVED that the policy documents attached to the report be approved.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

10. Prudential Indicators and Treasury Strategy 2010/11 to 2013/14

Joanna Scott (Section 151 Officer) presented a report setting out in detail the Prudential Indicators and Treasury Strategy for 2010/11 to 2013/14 as approved by Budget Council on 2 March 2011. The report has been produced for Audit Committee Members in line with recommendations made by Councillor Buckley (Finance & Resources Portfolio Holder), at Budget Council on 2 March 2011. The recommendation made requested that Audit Committee Members scrutinised the annual Prudential Indicators and Treasury Strategy. The reasoning why the Strategy was considered and approved at Council was set out in the report summary on page 81 of the report. She made particular reference to the Timescales – Reality, paragraph 4 refers, relating to the need for the Treasury Strategy to be set at the same time as the Council Tax is set by Council which was one of the main pressures. Alternative options, the summary on page 81 refers, had been considered to bring the Strategy to Audit Committee in the first instance but these proved to be not practical and inefficient use of officer time.

Councillor Nulty expressed her thanks to Councillor Buckley for the recommendation to refer the Strategy to the Audit Committee for scrutiny.

Joanna Scott drew members' attention to paragraph 7 of the report which recommended that a special meeting of Audit Committee would be required on 10 November 2011 to ensure that the mid year review of the Prudential Indicators and Treasury Strategy takes place.

In response to Councillor Louis Rigby's question, Joanna Scott informed members that the Authorised Boundary was a contingency borrowing limit and was set in case there was an emergency need to borrow for short term periods. She gave an example that if Councils income collection systems failed and they could not receive cash, it would give her (as Section 151 officer) the powers to borrow short term to address the issue.

It was RESOLVED:

1. that the Prudential Indicators and Treasury Strategy 2010/11 to 2013/14 be noted;
2. that a special meeting of Audit Committee be held on 10th November 2011 to ensure the mid year review of the Prudential Indicators and Treasury Strategy takes place with any recommendations from this Committee being made to the next Council meeting on 28th November.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

11. International Financial Reporting Standards (IFRS) - Project Progress Update (As at February 2011)

Joanna Scott (Section 151 Officer) presented a report which updated Members on the progress made to date in relation to the introduction of a new financial reporting framework, whereby the accounts for local authorities would be prepared under International Financial Reporting Standards (IFRS), with effect from 2010/11 (1/4/2010). The majority of the preparatory IFRS work had now been completed. Final detailed guidance from the Chartered Institute of Public Finance and Accountancy had been received in January 2011.

She advised that the table shown on page 101 set out the target timescales of the Project Tasks Outstanding/Ongoing. A meeting had been held with the external auditors and she was happy with the feedback. She advised that the Project Risks remained unchanged and emphasised that IFRS will increase the work load on the authority with extra pressure placed on existing staff within the finance team. With regard to Member training she informed Members that it had been agreed with KPMG to train Members at a future audit meeting and members will be informed accordingly when that will take place.

It was RESOLVED that the progress made on the implementation of the IFRS project as at February 2011 be noted.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

12. International Financial Reporting Standards (IFRS) – Approval of Fixed Asset Componentisation Policy

Joanna (Section 151 Officer) presented a report which informed the Committee that the Council had a statutory duty to submit the 2010/11 Statement of Accounts under the International Financial Reporting Standards (IFRS) rules, as interpreted by the Code of Practice on local authority accounting in the United Kingdom 2010/11 (the Code). The purpose of the report is to update Members on development and the Committee's required approval of a Fixed Asset Componentisation Policy, attached as Appendix A to the report, required for the implementation of IFRS. She informed members that componentisation was a detailed way of breaking down the analysis of fixed assets, which would more accurately charge depreciation and was more in line with the private sector. The difference being that the Council was a non profit making organisation. She advised that as the Committee was charged with approving the annual Statement of Accounts it was for the Committee to approve the policy. She drew members' attention to Appendix B which were examples of listed assets which would be the subject to componentisation. She emphasised that the values of assets shown in the table in Appendix B are calculated in line with property standard requirements to satisfy the annual compilation of the accounts and are re- assessed on a five year rolling programme.

It was RESOLVED to approve the Fixed Asset Componentisation Policy as shown at Appendix A to the report.

(The Chairman indicated that she was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

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