

Audit Committee



Date	Thursday, 28 January 2010
Venue	Town Hall, St Annes
Committee members	Councillor John Singleton (Chairman) Councillor Linda Nulty (Vice-Chairman) Ben Aitken, Christine Akeroyd, Keith Hyde, Elizabeth Oades, Janine Owen, Louis Rigby, Paul Rigby
Other Councillors	None
Officers	Bernard Hayes, Tracy Scholes, Savile Sykes, Andrew Wilsdon Lyndsey Lacey
Other Attendees	Iain Leviston - KPMG

Councillor Elizabeth Oades

The Chairman on behalf of the committee congratulated Councillor Elizabeth Oades on being invited to accept the appointment of Mayor Elect at the 2010 Annual Meeting of the Council.

1. Declarations of interest

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

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 29 September 2009 as a correct record for signature by the Chairman.

3. Substitute members

There were no substitutions

4. Project Progress Update - New International Financial Reporting Standards (IFRS)

Bernard Hayes (Section 151 Officer) presented a report detailing project progress made in relation to the introduction of a new financial reporting framework for the period up to end of December 09.

Members were advised that with effect from 1/4/10 accounts for local authorities would be prepared under International Financial Reporting Standards (IFRS).

The report summarised the background to the introduction of IFRS, key issues/ main areas of the review including work to be undertaken during the next quarter and estimated project costs.

Mr Hayes further reported that a detailed IFRS project plan (due for completion by 28 February 2010) had been compiled for Fylde which had been summarised under five categories:

- Project planning
- Communication and training
- Systems and processes
- Area specific issues and plans
- Key future milestones

Following discussion it was RESOLVED:

1. To note the project progress on the implementation plan of the IFRS project to the end of December 2009 and planned work from January 2010 to March 2010.
2. To present an updated report to the next meeting of the committee on 30 March 2010.

5. Annual Audit and Inspection Letter 2008/09

Iain Leviston (Senior Manager-KPMG) attended the meeting and presented an overview of the content of the Annual Audit and Inspection Letter which had been issued by the Council's auditors, KPMG. A copy of the Letter was circulated with the agenda.

The letter detailed the scope of the audit, key messages relating to the Council's use of resources within the new Comprehensive Area Assessment framework, an overview of the Council's financial standing and future issues for consideration.

Mr Leviston indicated that the use of resources assessment (which comprised three themes) demonstrated that the Council had sound processes in place for most elements of the assessment resulting in achieving a level 2 score. However, some weaknesses had been identified under 'managing resources' resulting in a level 1 score. He added that despite the identification of such weaknesses, it was concluded that the Council had for most part made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Councillors Nulty and Owen enquired about the significance of the weaknesses identified. Mr Leviston explained that the Council had in place processes to improve its score and it was hoped that the Use of Resources score for 2009/10 would reflect the improvements made. Mr Hayes also reiterated that the use of resources assessment for 2008/09 had been a higher bar than previously was set and the overall score of 2 reflected that the Council had made a good deal of improvement overall.

Councillor Oades asked about the costs associated with the use of consultants as identified in the report. Mr Hayes confirmed that this would be from within existing budgets.

The committee RESOLVED to thank Mr Leviston for his attendance and to note the report.

6. Reserves and Balances Policy

Bernard Hayes (Section 151 Officer) outlined the contents of the Reserves and Balances Policy which had been circulated with the agenda.

Mr Hayes explained that the Policy sets out the Council's approach to reserves and balances within the context of its Medium Term Financial Strategy. He added that it provided a reasonable course of action in a reasonable set of circumstances. Essentially, the level of balances (£750k) had taken into account best practice and Audit Commission advice, the current level of spending/commitments and the necessity for the Council to remain financially robust.

The Committee RESOLVED to note the report.

7. Strategic Risk 2009 - 2010

Andrew Wilsdon (Risk Management Officer) presented a report which summarised the work undertaken in completing the Strategic Risk Actions contained in the 2009-2010 Risk Register.

Mr Wilsdon indicated that in 2009, Corporate Management Team had identified six separate risk areas (detailed in the report) requiring additional management and attention. These were formulated into individual action plans and assigned a champion (from Management Team) to ensure that each action was completed. Mr Wilsdon added that of the original 53 individual actions identified to be undertaken 85% had been fully completed and only 6 actions remained incomplete. 5 actions related to elements of the Local Development Framework and the final action related to the Regeneration Framework.

Councillor Oades enquired about the anticipated completion date relating to the LDF actions. She also expressed her disappointment that the Regeneration Framework had been superseded by the 2020 vision.

Members of the Committee commented that the actions relating to the LDF process should be classed a high level risk and immediate action should be taken to remedy the situation.

Councillor Owen commented that the appropriate Member Champion should be invited to follow up each action and present a timely report.

Following consideration of the report it was RESOLVED:

1. To note progress made on completing the Strategic Risk Actions for 2009-2010.
2. To request that an updated report be presented to the March meeting of the committee detailing proposals to remedy the outstanding 6 actions.

8. Internal Audit Interim Report 2009-2010

Savile Sykes (Head of Internal Audit) provided a summary of the work undertaken by Internal Audit from April to December 2009 which included performance information for the same period.

Mr Sykes indicated that from April to December, 14 final reports had been completed and action plans agreed where appropriate together with 8 follow up reports. In particular, Mr Sykes highlighted the 98% implementation rate for agreed recommendations for those follow up reviews completed in the period.

In brief, the report covered the following:

- Assurance on Internal Control
- Follow up work
- Special investigations and counter fraud work
- Projects, consultancy and advice

- Performance of Internal Audit

Mr Sykes advised the committee that a change to the Audit Plan had been agreed by Management Team, whereby the proposed purchasing audit was replaced by a review of officer's expenses and licensing of homes in multiple occupation.

Following discussion the Committee RESOLVED:

1. To note the Internal Audit Interim Report.
2. To request an updated report to the next appropriate meeting of the committee detailing those areas where actions are not fully embodied.

9. Effectiveness of Internal Audit

Savile Sykes (Head of Internal Audit) presented a report on the findings of a peer review on the effectiveness of Internal Audit undertaken with Wyre Borough Council.

It was reported that a review of Internal Audit effectiveness was required as part of satisfying the overall governance arrangements in local authorities and supporting the Council's Annual Governance Statement.

The CIPFA Code of Practice for Internal audit checklist was completed to indicate full, partial or non compliance with the Code. A total of eleven enhancements arose from the initial exercise and the action plan indicating the current implementation position was circulated with the agenda. In accordance with the target completion dates ten of the improvements had been implemented and the final action was due for completion by March 2010.

Mr Sykes further reported that a formal statement issued in respect of the peer review together with the supplementary action plan was also circulated with the agenda. The review indicated that internal audit had achieved substantial compliance with the Code.

Following consideration of the report it was RESOLVED:

1. To note the findings of the peer review on the effectiveness of Internal Audit and confirm the conclusion that there is substantial compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
2. To note the progress in implementing the associated action plan.

10. Local Performance Indicators for Internal Audit

Savile Sykes (Head of Internal Audit) presented the committee with an updated report on an exercise that had been carried out to canvass the views of stakeholders in developing a new suite of performance indicators (to comply with the Code of Practice for internal Audit in Local Government 2006)

Mr Sykes indicated that all senior managers across the Council, together with the Chairman/Vice Chairman of Audit Committee and members of the audit team were surveyed to seek views about adopting a suite of performance measures with stakeholder support that would be monitored and reported to the Audit Committee and Management Team.

It was explained that those completing the survey were given a choice of fifteen possible indicators and asked to score each of them according to whether they considered it would be: very useful, useful, neither useful nor not useful, not very useful or not at all useful in measuring the performance, quality and effectiveness of internal audit.

The full survey results were included in a table attached to the report.

The report also included suggested performance indicator targets for 2010/11.

The Committee RESOLVED:

1. To note the results of the stakeholder survey of performance indicators for internal audit and confirm the suite of indicators established
2. To note the performance targets set for the coming financial year.

11. Follow Up Reports 2008- 09 (Update)

At the request of the Committee at its meeting in June 2009, Savile Sykes (Head of Internal Audit) presented an updated report detailing the number of high and medium category recommendations that were still outstanding as at 31 December 2009.

Mr Sykes explained that that of the 29 agreed high and medium recommendations that were reported as outstanding in September, only 24 actions were now outstanding (all of which were a medium priority) He added that these changes increased the overall annual rate of implementation from 79% to 83%. The rate of implementation for high and medium recommendations had also increased from the original reported figure of 75% to 83%

The table set out in the report detailed the total number of agreed high and medium recommendations that had now been implemented by managers from follow up reviews in 2008/09.

Councillor Aitken commented that it would be helpful to receive feedback on the completion of the Vehicles and Plant actions.

Following consideration it was RESOLVED to note the latest position with regard to each of the agreed internal audit recommendations not implemented by management arising from follow up work in 2008-09.
