



Meeting Agenda

**Audit Committee
Town Hall, Lytham St Annes
29 March 2007, 7:00 pm**

**The main doors to the Town Hall will be open to
the public at 6:40pm**

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor Fabian Wilson
VICE-CHAIRMAN – Councillor Keith Hyde

Councillors

Christine Akeroyd	Paul Hayhurst
Elizabeth Oades	John Coombes
Stephen Mason	Simon Renwick
	John Longstaff

Contact: Peter Welsh, St. Annes (01253) 658502, Email:
peterw@fylde.gov.uk



CORPORATE OBJECTIVES

The Council's investment and activities are focused on achieving our five key objectives which aim to :

- Conserve, protect and enhance the quality of the Fylde natural and built environment
- Work with partners to help maintain safe communities in which individuals and businesses can thrive
- Stimulate strong economic prosperity and regeneration within a diverse and vibrant economic environment
- Improve access to good quality local housing and promote the health and wellbeing and equality of opportunity of all people in the Borough
- Ensure we are an efficient and effective council.

CORE VALUES

In striving to achieve these objectives we have adopted a number of key values which underpin everything we do :

- Provide equal access to services whether you live in town, village or countryside,
- Provide effective leadership for the community,
- Value our staff and create a 'can do' culture,
- Work effectively through partnerships,
- Strive to achieve 'more with less'.



A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
1. DECLARATIONS OF INTEREST: <i>In accordance with the Council's Code of Conduct, members are 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.</i>	4
2. CONFIRMATION OF MINUTES: <i>To confirm as a correct record the minutes of the Audit Committee held on 4 January 2007. As attached at the end of the agenda.</i>	4
3. SUBSTITUTE MEMBERS: <i>Details of any substitute members notified in accordance with council procedure rule 25.3</i>	4
4. ANNUAL AUDIT AND INSPECTION LETTER	5 – 6
5. INTERNAL AUDIT PLAN 2007/08	7 – 14
6. STATEMENT ON INTERNAL CONTROL 2006/07	15 – 20

REPORT



REPORT OF	MEETING	DATE	ITEM NO
CHIEF EXECUTIVE	AUDIT COMMITTEE	29 TH MARCH 2007	4

ANNUAL AUDIT AND INSPECTION LETTER

Public Item

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

Summary

To consider the contents of the Annual Audit and Inspection letter which outlines the Council's general performance during the previous year. The report will be presented by the Audit Commission.

Recommendation

To receive the presentation by the Audit Commission's Relationship Manager for Fylde (Mike Thomas) and Audit Manager (Gareth Winstanley) and request the Chief Executive together with the Council's Management Team to take the actions outlined in the Report.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Leader: Councillor John Coombes

Report

1. The Annual Audit and Inspection Letter is produced each year by the Council's External Auditors and the judgements contained within it are based on inspection activity which has been undertaken during the previous financial year.
2. Key messages relate to the Council's overall performance; its use of resources; its accounts and financial position; the Best Value Performance Plan together with action required by the Council to maintain its improvement momentum.

3. Detailed commentary on the Council's performance is based on the Direction of Travel report together with other performance work and inspections which have taken place throughout the year.
4. Detailed commentary about accounts and governance issues is provided based on the outcome of the audit of the 2005/06 accounts; financial standing; systems of internal control; standards of financial conduct and the prevention and detection of fraud and corruption; legality of transactions and the Use of Resources inspection judgement.
5. A copy of the Annual Audit and Inspection Letter for 2005/06 will follow as soon as the final version is received from the Audit Commission.

IMPLICATIONS	
Finance	Implications are detailed within the body of the Letter.
Legal	Implications are detailed within the body of the Letter.
Community Safety	None arising directly from the report.
Human Rights and Equalities	None arising directly from the report.
Sustainability	None arising directly from the report.
Health & Safety and Risk Management	None arising directly from the report.

Report Author	Tel	Date	Doc ID
P Woodward	(01253) 658500	March 2007	H/AuditCommittee/AnnualAuditLetter 2007

List of Background Papers		
Name of document	Date	Where available for inspection
As attached		Town Hall or www.fylde.gov.uk

Attached documents

1. Annual Audit and Inspection Letter 2007 (to be circulated when received)

REPORT



REPORT OF	MEETING	DATE	ITEM NO
HEAD OF INTERNAL AUDIT	AUDIT COMMITTEE	29 MARCH 2007	5

INTERNAL AUDIT PLAN 2007/08

Public Item

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

Summary

This report outlines the Internal Audit Plan for the financial year 2007/08 and briefly describes the methodology used in its production.

The report links principally to the Corporate Objective - "Deliver high quality services".

Recommendation

1. The Committee approves the Annual Internal Audit Plan 2007/08.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance and Efficiency: Councillor Paul Rigby

Report

1 Background

1.1 The main purposes of internal audit planning are:

- ♦ to determine priorities in accordance with risk
- ♦ to assist in the direction and control of audit work
- ♦ to help ensure work is completed within pre-determined targets

- 1.2 A detailed annual plan of work is prepared and agreed in advance each year by the Section 151 Officer and Management Team members, and reported to the Audit Committee.

2 Audit Universe

- 2.1 The audit universe is the whole range of activities undertaken by the authority that would be suitable for periodic audit review. These activities are identified within a five-year strategic plan. To ensure that all 'auditable' processes have been included in the audit universe, each business manager and executive director has been consulted to confirm the accuracy of the provisional list of activities and any foreseen changes expected in the coming year.
- 2.2 These various processes combined with established systems and procedures, as well as issues identified by internal and external audit comprise the audit universe. Each area of work or system identified is included in a five-year cycle of audits, where appropriate – the strategic plan.

3 Risk Assessment

- 3.1 For each activity included as part of the strategic plan a risk assessment has been carried out. The type of information required to undertake such a risk evaluation includes:
- ♦ the opinion of senior management on systems and risks
 - ♦ materiality - volume and value of transactions
 - ♦ control environment/outcomes of previous review work
 - ♦ system complexity
 - ♦ sensitivity
- 3.2 Each activity was scored for the above elements and a weighting applied to reflect the overall significance of the various risk factors. The resulting scores, or risk indices, were ranked into high, medium and low risk categories.

4 Resource Allocation

- 4.1 The results of the risk assessment exercise were then used to rank activities and to group them into bands of audit frequency, with high-risk score activities being reviewed most frequently, for example:
- ♦ High Twice or more in the five year period
 - ♦ Medium/Low At least once in the five year period
- 4.2 The activities within each band were then examined and audit days assigned. This produced an audit need that was compared with the resources available, after allowing for unproductive time such as:
- ♦ annual leave
 - ♦ sickness

- ♦ staff development and training
- ♦ team administration and management
- ♦ corporate and democratic responsibilities
- ♦ non-audit duties

4.3 The plan has then been adjusted to take account of any practical issues such as follow up time for audits recently completed and those matters which have to be included regardless of their risk score, such as main financial systems and various governance issues.

4.4 A contingency provision was also included in the plan to cover any changes in circumstances after the completion of the risk assessment, such as specific requests for audit, ad hoc work, on-demand tasks and special investigations. This recognises that the plan, whilst produced on an acknowledged scientific basis, is still a flexible document.

5 Strategic Plan and Annual Plan

5.1 A five-year strategic plan has been drafted. The period it covers enables all major systems and areas of activity to be audited on a cyclical basis. It sets out types of audit, activities subject to audit, frequency, and audit days required for each activity. The strategic plan will be subject to annual review, based on changes in the audit universe, the results of audit work and changes to resources available.

5.2 The first year of the strategic plan constitutes the bulk of the annual work programme for 2007/2008. Copies of the strategic and annual plans are attached.

IMPLICATIONS	
Finance	None arising from this report.
Legal	None arising from this report.
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 agreement of an annual audit plan will assist the authority to put in place an appropriate control environment and effective controls, which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	14 March 2007	

List of Background Papers		
Name of document	Date	Where available for inspection
Internal Audit Plan 2007/08		All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

Attached documents

1. Internal Audit Strategic Plan 2007 – 20012
2. Internal Audit Plan 2007/08

FYLDE BOROUGH COUNCIL
Internal Audit Strategic Plan 2007-2012

System	Risk Index	IA Risk Category	Days	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Fundamental Financial Systems:								
1 Cash Collection		Main	20	20	20	20	20	20
2&3 Council Tax/NNDR (Combined)		Main	30	30	30	30	30	30
4 Creditors		Main	18	18	18	18	18	18
5 HB/CT Benefits		Main	25	25	25	25	25	25
6 Improvement Grants		Main	20	20	20	20	20	20
7 Main Accounting		Main	20	25	20	20	20	20
8 Payroll		Main	20	20	20	20	20	20
9 Sundry Debtors		Main	18	18	18	18	18	18
10 Treasury Management		Main	18	18	18	18	18	18
				194	189	189	189	189
Other Financial Systems:								
11 Asset Management	23	Medium	18			18	1	
12 Car Allowances & Expenses	23	Medium	15	15	1			
13 Car Parking Income	20	Medium	12	12	1			
14 Cheque Security & Production	11	Low	5		5			
15 Concessionary Fares	14	Low	8				8	
16 CWP Licence Income	21	Medium	20	1	20	1		
17 CWP Miscellaneous Income	15	Low	12			12	1	
18 Election & Electoral Payments		N/A	12	12	1			12
19 Games Site Income	21	Medium	12	12	1			
20 Homelessness	16	Low	15					15
21 Housing - Right To Buy Receipts	20	Medium	12		12	1		
22 Land Charges Income	18	Medium	15	1				15
23 Mayoral Charity	15	Low	12			12	1	
24 Mobile Phones	15	Low	12	1				12
25 Officer's Car Loans	13	Low	8		8	1		
26 Petty Cash	18	Medium	8	1				8
27 Planning/Building Regs Income	16	Low	18				18	1
28 Post Opening	14	Low	4			4	1	
29 Procurement/Ordering	26	High	18	18	1		18	1
30 Recycling Income	15	Low	8		8	1		
31 Regeneration - HERS Grants	20	Medium	15			15	1	
32 Tourism - Events & TIC	15	Low	10			10	1	
33 Trade Refuse Income	22	Medium	18	18	1			
				91	59	75	50	64
Non-Financial Audit:								
33 Absence/Sickness	21	Medium	20			20	1	
34 Annual Leave/Flexitime	17	Medium	20		20	1		
35 Business Continuity Planning	22	Medium	15		15	1		
36 Complaints Process	21	Medium	18	18	1			
37 Insurance Administration	18	Medium	18			18	1	
38 Interests, Gifts & Hospitality	18	Medium	18	18	1			
40 Partnerships Review	25	Medium	20	20	1			
41 Recruitment Procedure	23	Medium	25	1				25
42 Risk Management		N/A	18	1	18	1	18	1
43 Staff Appraisal Procedure	14	Low	18		18	1		
44 Vehicles & Plant	23	Medium	20	1			20	1
				59	74	42	40	27
				344	322	306	279	280

FYLDE BOROUGH COUNCIL
Internal Audit Strategic Plan 2007-2012

System				Days	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
B/F					344	322	306	279	280
Corporate Governance									
45 Corporate Governance Review				10	10	10	10	10	10
46 Statement on Internal Control				16	16	16	16	16	16
47 Use of Resources KLOE				8	8	8	8	8	8
					34	34	34	34	34
Performance Management:									
48 BVPI Quality Assurance Review				28	28	28	28	28	28
49 BV Performance Indicator Review				5	5	5	5	5	5
50 Housing Perf Indicator Review				8	8	8	8	8	8
					41	41	41	41	41
Establishment Audit:									
51 Cemetery & Crematorium	20	Medium		15			15	1	
52 CVMU	21	Medium		15				15	1
53 Lowther Pavilion/TIC	19	Medium		15		15	1		
54 Swimming Pools	21	Medium		18	18	1			18
					18	16	16	16	19
Computer Audit:									
55 Liaison/Facilitation/Assistance				4	4	4	4	4	4
					4	4	4	4	4
Contract Audit:									
56 Tendering & Contracts	29	High		20	20	2	20	2	20
					20	2	20	2	20
Fraud:									
57 Benefit Fraud	19	Medium		15	1			15	1
58 BFI Performance Standards				15	15	2	15	2	15
<u>59 Fraud & Corruption Modules:</u>									
Benefits				10					10
House Renovation Grants				4			4	1	
Cash Collection				6				6	1
Car Parking				3	3	1			
Credit Income				6		6	1		
Creditor Payments				4	1				4
Cheques				3		3	1		
Stocks & Stores				12	12	1			
Contracts				3			3	1	
Loans & Investments				4		4	1		
Payroll				3				3	1
Expense Claims				4	4	1			
Car Loans				2		2	1		
Corruption				5			5	1	
60 Whistleblowing/Fraud Awareness				5		5		5	
					36	25	31	34	32
AUDIT DAYS					497	444	452	410	430

FYLDE BOROUGH Council - Internal Audit Plan 2007/2008

	Days	Days
Main Financial Systems		
Cash Collection	20	
Council Tax/NNDR (Combined)	30	
Creditors	18	
Housing Benefit/Council Tax Benefit	25	
Improvement Grants	20	
Main Accounting	25	
Payroll	20	
Sundry Debtors	18	
Treasury Management	18	
		194
Other Financial Systems		
Car Allowances & Expenses	15	
Car Parking	12	
Election & Electoral Payments	12	
Games Site Income	12	
Procurement/Ordering	18	
Trade Refuse Income	18	
CWP Licence Income (Follow Up)	1	
Land Charges Income (Follow Up)	1	
Mobile Phones (Follow Up)	1	
Petty Cash (Follow Up)	1	
		91
Non-Financial Audit		
Complaints Process	18	
Interests, Gifts & Hospitality	18	
Partnerships Review	20	
Recruitment Procedure (Follow Up)	1	
Risk Management (Follow Up)	1	
Vehicles & Plant (Follow Up)	1	
		59
Corporate Governance		
Corporate Governance Review	10	
Statement on Internal Control	16	
Use of Resources KLOE	8	
		34
Performance Management		
BVPI Pre-audit Quality Assurance	28	
Performance Indicator Review	5	
Housing Performance Indicator Review	8	
		41
Establishment Audit		
Swimming Pools	18	
		18
Computer Audit		
LCC Review - Liaison/Assistance	3	
		3

Contract Audit		
Tendering & Contracts	20	20
Anti-Fraud		
Benefit Fraud (Follow Up)	2	
BFI - Performance Standards	15	
Fraud & Corruption Modules	20	37
Other Audit Work		
Authorisation Schedules	7	
Cancelled/Replacement Cheques	20	
Financial Procedures Guide	2	29
Reactive Audit Work	30	30
Reactive Fraud Work	20	20
Consultancy/Advice		
General Consultancy/Advice	16	16
Audit Team		
Management	62	
Planning & Reporting	18	
Administration	43	
Service Development Work	16	
External Liaison	11	150
<u>TOTAL AUDIT WORK</u>		742
Corporate & Democratic Core		
Committee Attendance/Chair's Briefing	3	
Corporate Groups/Initiatives/Meetings	5	
Core Briefing/Departmental Management Team	6	
Corporate Induction Days	1	
Equality & Diversity	5	
Members Reports & Enquiries	2	
Member Training - Audit Sub Committee	4	
Minutes/Agendas/Reports/Publications	1	27
Non Audit Work		
Controlled Stationery	16	
Insurance & Risk Management	8	
Business Unit Matters	9	33
<u>TOTAL DAYS ALLOCATED</u>		802

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	15/03/07	6

STATEMENT ON INTERNAL CONTROL 2006/07

Public item

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

Summary

The Audit Committee is charged with adopting the SIC and monitoring the progress in fulfilling the action plan. The committee requested at its January meeting that a report be submitted to this meeting outlining progress on the Action Plan.

The report links principally to the Corporate Objective - "Deliver high quality services".

Recommendation

1. The Committee notes the latest position with regard to each of the issues currently included on the Statement on Internal Control 2006/07.

Cabinet Portfolio

The item falls within the following executive portfolio[s]:

Corporate Performance and Development

Councillor Sue Fazackerley

Report

Background

1. The Statement on Internal Control (SIC) for the year ended 31 March 2007, together with its associated Action Plan, were adopted by the Council at its meeting on 28 July

2006. The responsibility for keeping the SIC Action Plan under review falls to the Audit Committee.

Action Plan 2006/07

2. This second interim report reveals the progress made so far in implementing the various actions to achieve improved internal control during 2006/07 and indicates areas where agreed actions have yet to be completed.
3. The 2006/07 Action Plan included 12 actions to secure improved internal control and governance. The present position is as follows:
 - Three actions have been completed – numbers 2, 8, 10.
 - Eight actions are currently ongoing with progress having been made towards the agreed action.
 - Seven of these ongoing actions have revised target dates – numbers 3, 4, 5, 6, 9, 11, 12.
 - Three of the ongoing actions have second revised target dates – numbers 3, 4, 11.
 - One action has not yet commenced as it relies on the completion of another – number 4.
4. Progress monitoring will continue and a follow up of the all the actions included in the plan will be undertaken once the final implementation date has passed. If necessary, a further report will be prepared highlighting non-completion.
5. The Action Plan for 2006/07 is attached as an Appendix showing the responsible officers, up-to-date target dates for completion and the current status.

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure 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.
Legal	None
Community Safety	None
Human Rights & Equalities	None
Sustainability	None
Health & Safety and Risk Management	Health & Safety and Risk Management issues feature in the SIC Action Plan

Report Author	Tel	Date	Doc Id
Savile Sykes	(01253) 658413	March 14, 2006	

List Of Background Papers		
Name of document	Date	Where available for inspection
Meeting the requirements of the Accounts & Audit Regulations 2003	April 2004	Internal Audit Office by arrangement

1. Internal Control and Corporate Governance Action Plan 2006 – 2007.

INTERNAL CONTROL & CORPORATE GOVERNANCE ACTION PLAN 2006 - 2007

STATUS AT MARCH 2007

Ref	Action	Source of Assurance	Responsible Officer	Target Completion Date	Status Mar 2007
1	Ensure risks in relation to partnerships are identified through the risk management process and provide for assurances to be obtained about the management of those risks	<ul style="list-style-type: none"> Risk process identifies partnership risks Assurances about the management of such risks obtained 	Tracy Scholes	March 07 (in preparation for 07/08)	On target for March 2007 completion.
2	Provide relevant training to Audit Sub-Committee members, in particular the chair, to include risk management and the internal control framework	<ul style="list-style-type: none"> Training plan agreed for Audit Sub-committee members Evidence of training delivered 	Tracy Scholes	September 06	Completed. Initial training delivered to former Audit Sub Committee. Further training planned for new Audit Committee members.
3	Maintain a central record of complaints against the authority, as defined in the Customer Care Policy, together with evidence of corrective action taken in response to such complaints	<ul style="list-style-type: none"> Central register of complaints exists Supporting documentation available Evidence of corrective action taken 	Paul Norris	<i>December 2006</i> <i>February 2007</i> April 2007	Second revised target date. Proposals to Performance Improvement Scrutiny Committee (PISC) on 25/01/07. Ratified by Cabinet 14/3/07. Pilot scheme to be undertaken with report back to PISC.
4	Report to members on a regular basis with a summary of complaints received and addressed, including an analysis of the outcomes	<ul style="list-style-type: none"> Evidence of regular reporting of complaints to members and associated actions 	Paul Norris	<i>December 2006</i> <i>April 2007</i> May 2007	Second revised target date. Awaiting outcome of above action. Reporting will commence based on the new recording arrangements adopted.
5	Maintain a regular reconciliation of the cash balance on the general ledger account to the Council's bank account throughout the financial year	<ul style="list-style-type: none"> Monthly reconciliations completed Reconciliations up-to-date 	Brian White	<i>March 2007</i> June 2007	Revised target date. Will be achieved at the end of close down (June) and then subsequently maintained.

**INTERNAL CONTROL & CORPORATE GOVERNANCE
ACTION PLAN 2006 - 2007**

**Appendix A
STATUS AT MARCH 2007**

Ref	Action	Source of Assurance	Responsible Officer	Target Completion Date	Status
6	Fully embed risk management arrangements throughout the Council with the focus on ensuring that there are comprehensive operational risk registers in place	<ul style="list-style-type: none"> ▪ Risk process embedded in all business units ▪ Operational risk register in place 	Paul Norris	January 2007 March 2007	Revised target date. Tied in with current service planning process. Operational Risk Management Group to review final outcome at March 07 meeting. Subsequent report to members if necessary.
7	Ensure corporate objectives reflected in business unit service plans are clearly matched with associated budgets	<ul style="list-style-type: none"> ▪ Corporate and service objectives aligned ▪ Budget and service objectives matched 	Brian White	March 07 (in preparation for 07/08)	Budgets to be cross referenced to corporate objectives. May be slight slippage.
8	Engage with stakeholders, partners and the community in the development of service plans where appropriate	<ul style="list-style-type: none"> ▪ Evidence of stakeholder engagement available ▪ Business/service plans reflect stakeholder feedback 	Allan Oldfield	October 2006	Completed. New service plan template developed, which requires unit managers to identify stakeholder consultation where appropriate.
9	Revise the performance management framework to incorporate a clear process for addressing poor performance through action plans designed to achieve service improvements	<ul style="list-style-type: none"> ▪ Revised performance management framework exists ▪ Poor performance addressed by action plans ▪ Evidence of action taken 	Allan Oldfield	December 2006 March 2007	Revised target date. To be completed by the end of March.
10	Implement the risk management component required by the project management framework for all relevant work	<ul style="list-style-type: none"> ▪ Risk assessments undertaken for all relevant projects ▪ Project risks properly managed 	David Jenkinson	December 2006	Completed. Twelve projects approved and signed off encompassing risk management element.

**INTERNAL CONTROL & CORPORATE GOVERNANCE
ACTION PLAN 2006 - 2007**

**Appendix A
STATUS AT MARCH 2007**

Ref	Action	Source of Assurance	Responsible Officer	Target Completion Date	Status
11	Draw up and implement business/service continuity plans for all key service areas	<ul style="list-style-type: none"> ▪ Key service areas identified ▪ Business/service continuity plans in place 	Tracy Scholes	<i>December 2006</i> <i>January 2007</i> March 2007	Second revised target date. Currently nine out of ten mission critical business continuity plans in place.
12	Establish arrangements whereby line managers are required to undertake regular health & safety audits throughout the Council to identify and address potential problems	<ul style="list-style-type: none"> ▪ Regular health & safety inspections by line managers ▪ Evidence of inspection, problems identified and remedial action available 	Tracy Scholes	<i>December 2006</i> June 2007	Revised target date. H&S procedures are being reviewed and developed by Blackpool Council. Corporate arrangements for auditing H/S will be established by June and audits will commence thereafter.

Audit Committee



Date	Thursday 4 January 2007
Venue	Town Hall, Lytham St Annes
Committee members	Fabian Wilson (Chairman) Keith Hyde (Vice-Chairman) Christine Akeroyd, John Coombes, Paul Hayhurst, Elizabeth Oades, Simon Renwick
Other Councillors	Kiran Mulholland, Paul Rigby
Officers	Christopher Kitchin, Paul Norris, Tracy Scholes, Savile Sykes, Andrew Wilsdon, Brian White
Others	

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 26 October 2006 as a correct record for signature by the chairman.

3. Substitute members

No substitute members were reported.

4. Strategic Risk 2006-2007

Andrew Wilsdon (Insurance and Risk Management Officer) presented a report which summarised activity undertaken to complete the Strategic Risk Actions contained in the 2006-2007 Risk Register.

Mr Wilsdon provided Members with information on the monitoring of the Strategic Risk Register. Mr Wilsdon informed the Committee the 12 Action Plans had between them 95 individual actions to be undertaken by assigned officers by certain key dates throughout the year.

Mr Wilsdon reported that in the original Risk Register 65 actions were to be completed within the period 1 April to 31 October 2006, the first half year. Mr Wilsdon notified the Committee that the actual number of risk actions completed was 49 and the other 16

actions have had there extended by the Strategic Risk Management Group. This equated to a 52% completion rate during the first seven months of the year. It was anticipated there would be a 100% completion rate by the end of the financial year.

Councillor Kiran Mulholland, Member Risk Champion was in attendance at the meeting and raised concerns about attendance at the Corporate Risk Management Group. It was outlined that this was a Group made up of Executive Managers or their representatives, the Head of Internal Audit, a representative of Blackpool Health and Safety (the Council's Health and Safety advisors) together with Councillor Sue Fazackerley, Portfolio Holder and Councillor Kiran Mulholland, Risk Champion. Councillor Mulholland reported that over the last several months attendance at the Group had become much improved with near 100% attendance and he wanted to ensure that this level of attendance was sustained in the longer term.

Councillor Mulholland felt that the attendance of all Business Units was imperative because although the risks being discussed may not be pertinent to a particular Unit/Units they were by their very nature corporate issues which would benefit from wider discussion and input. Councillor Mulholland reported that attendance at the Group was subject to review in the near future and sought the support of the Audit Committee in all Business Units being represented at the Strategic Risk Management Group. Tracy Scholes (Executive Manager for Democratic and Member Services and Chairman of the Risk Management Group) was requested to comment on this issue and added that the intention of a review of attendance was to seek attendance at the meetings by Executive Managers or their representatives when the Strategic Risk Management Group was reviewing an action which concerned their unit or area of risk which had been assigned to them, thus dealing with issues in a similar way to issues before a Scrutiny Committee where attendance to required where there are exception issues to be discussed.

Following Discussion the Committee RESOLVED

- a) To note the progress made on the Strategic Risk Actions for 2006/07.
- b) To pass the recommendation of the Audit Committee to the Chief Executive and Portfolio Holder for Corporate Performance and Development that all Business Units should be represented at the Strategic Risk Management Group.

5. Statement on Internal Control

Savile Sykes (Head of Internal Audit) reported on the Statement on Internal Control and associated Action Plan. The Council is required to carry out a review of its control environment at least once a year and to publish a Statement on Internal Control (SIC). An action plan to remedy any weaknesses in control is also agreed.

The Audit Committee is charged with adopting the SIC and monitoring the progress in fulfilling the action plan.

Mr Sykes informed the Committee that the 2006/07 Action Plan included 12 actions to secure improved internal control and governance. Actions 2, 8 and 10 had been completed whilst actions 1, 3, 6, 7, 9, 11 and 12 were currently ongoing. Action points 4 and 5 were yet to start.

Brian White (Finance Executive Manager) provided the Committee with clarification on Action Point 5 relating to bank reconciliation activity. Mr. White outlined that this work

focused on the review of bank statements to agree income and expenditure. Although this hadn't been carried out previously in full Mr. White outlined that there was a reconciliation which did occur monthly which covered major items of income and expenditure such as housing benefits and salaries which resulted in around a 90% coverage. Furthermore, it was outlined that the target date set in the Action Plan of March 2007 for this issue was on target to be met and there would be 100% reconciliation thereafter.

Members also raised concerns regarding the implications of slippages within the target dates. Mr Sykes clarified this issue by stating that the Statement on Internal Control goes to Management Team on a monthly basis for monitoring and any slippages require the agreement of Management Team. Responsible officers are required to report on progress being made to meet the target dates.

Members also sought clarification as to why work has not commenced on action points 3 and 4 relating to the centralisation of complaints. Paul Norris (Community and Cultural Services Executive Manager) explained that there were many different ways to submit a complaint and before an issue was escalated to a complaint level it was dealt with as an enquiry. Mr Norris continued by explaining he had made contact with other authorities to find out what others do and found that some authorities do not have a formal complaints procedure, in particular one which is centralised. Mr. Norris was proposing to undertake further comparison work against other local authorities in order to learn from good practice and implement the most appropriate system for the Council. However Mr Norris informed the Committee that he was not sure whether this would be completed by February and that it would be clearer in the upcoming weeks.

Members commented on the proposed centralised complaints systems and felt it was important that this should be implemented as soon as possible and it was felt that the intervention and assistance of scrutiny would assist in the process to bring the matter to fruition. Mr Norris agreed to take this to the Performance Improvement Scrutiny Committee on 25 January with a view to a Task and Finish Group being established from that Committee to assist in this work.

Mr Sykes moved on to explain the Sources of Assurance 2007/08 to the Committee. Mr Sykes outlined the process for compiling the Statement on Internal Control for the next year and explained the evidence he would be reviewing for this process.

Following debate the Committee RESOLVED the following:

- 1) To note the latest position with regard to each of the issues currently included on the Statement on Internal Control 2006/07 and that a report back be submitted to the Audit Committee at its meeting scheduled for 29 March 2007 outlining progress on the Action Plan and in the meantime if the Head of Internal Audit was concerned about slippage on any issues that this be drawn to the attention of the Chairman and Vice-Chairman of the Committee
- 2) To approve the sources of assurance on internal control for the 2007/08 annual review.
- 3) That Paul Norris (Community and Cultural Services Executive Manager) report to the Performance Improvement Scrutiny Committee on 25 January 2007 on the proposed centralised complaints procedure.

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