

Audit Committee



Date	Thursday, 23 September 2010
Venue	Town Hall, St. Annes
Committee members	Councillor John Singleton (Chairman) Councillor Linda Nulty (Vice-Chairman) Councillors Ben Aitken, Christine Akeroyd, Keith Hyde, Louis Rigby, Paul Rigby, Janine Owen
Other Councillors	None
Officers	Tracy Scholes, Joanna Scott, Ian Curtis, Mark Evans, Savile Sykes, Lyndsey Lacey
Other Attendees	Iain Leviston, Shan Prior (KPMG)

1. Declarations of interest

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

2. Confirmation of Minutes

RESOLVED: To approve the minutes of the Audit Committee meetings held on 24 and 29 June 2010 as correct records for signature by the chairman.

3. Substitute members

There were no substitutions

4. Outstanding Strategic Risk Actions from 2009/10

At the request of the committee at its last meeting, Mark Evans (Assistant Director: Planning Services) presented an updated report detailing outstanding risk actions from the 2009/10 Strategic Risk Action Plan relating to the Local Development Framework (LDF) and Regeneration Framework.

Mr Evans confirmed that a comprehensive report on the Regeneration Framework had been considered by Cabinet on 15 September 2010. He added that the report presented a strategic overview of the public realm regeneration and proposed a list of schemes for approval. The framework also provided the opportunity for additional schemes to be considered and included from time to time when it is reviewed.

In terms of the LDF progress, Mr Evans made reference to the revocation of the Regional Spatial Strategy (RSS) by the Secretary of State and the requirement for the Council to set

its own housing growth figures. He stated that this placed additional evidence requirements upon the process which must be properly founded and evidenced if they are to pass the tests of soundness by an Inspector.

Mr Evans further stated that new national planning guidance was expected to be issued by the Coalition government in the autumn which could further propose changes to the LDF process. The LDF Steering Group recognised these challenges and would be responding accordingly following advice from officers. Once this had been considered a revised risk action plan would be prepared.

Councillor Nulty asked about the extent of the regeneration framework. In response, Mr Evans made reference to the report presented to Cabinet which detailed the extent of the scheme and proposed arrangements in one composite document. He added that the situation had become more complex as a result of the new Community Infrastructure Levy Regulations 2010 (CIL). He stated that one of implications of the new CIL Regulations was that the tests for requesting funding contributions (including the 2.5% public realm contributions), through Section 106 agreements were in effect more onerous and restrictive, where requirements have to be directly related to the particular site.

Councillor Louis Rigby asked about the proposed consultation process with the parish and town councils. Mr Evans made reference to the proposed road show and an article on the subject in Fylde Matters which had recently been distributed to local residents.

Councillor Owen asked about the amount of weight attached to the Strategic Housing Land Availability Assessment (SHLAA). Mr Evans stated that the SHLAA had been completed and published and would be updated annually to reflect housing planning permissions and completions. The SHLAA remained part of the Core Strategy evidence base and would be used to identify potential housing sites at a later stage of the plan making process. The revocation of the Regional Spatial Strategy had not changed the need to complete a SHLAA

Following consideration of this matter it was RESOLVED:

1. To note the completion of the regeneration framework and the subsequent presentation to cabinet.
2. To note the LDF evidence base is being compiled and that following the expected national planning statement in the autumn that Officers would be advising the LDF Steering Group on any implications which emerge.
3. To ask the Assistant Director: Planning Services to present an updated report on the relevant outstanding actions relating to the Strategic Risk Action Plan to the January meeting of the committee

(The Chairman indicated that he 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. Report to those charged with Governance (ISA 260) 2009/10

Iain Leviston (Manager-KPMG) attended the meeting and presented an overview of key issues identified during the audit of the Council's financial statements for the year ended 31 March 2010. In addition, his report provided an assessment of the Council's arrangements to secure value for money in its use of resources.

Members were advised that the report concluded that having regard to the relevant criteria for principal authorities as published by the Audit Commission, the Council had secured economy, efficiency and effectiveness. It also provided an opinion to verify that the Council

had complied with all legal and regulatory frameworks with respect to its accounting arrangements resulting in an unqualified opinion.

Mr Leviston indicated that since the issue of the Report of those Charged with Governance 2008/09, the Council had made notable improvements across a number of areas. Only one area of note remained regarding the Council's strategic approach to the use of natural resources. However, it was acknowledged that the Council is taking operational measures with respect to this matter.

A copy of the detailed report was circulated with the agenda.

Councillor Janine Owen sought clarification as to why the relevant certificate for the completion of the audit had not been issued. Mr Leviston explained that this was due to an elector requesting a Public Interest Report. Mr Curtis further clarified details of the request.

Councillor Ben Aitken asked for further information on the natural resources issue. Mr Leviston explained that this essentially related to a full range of natural resources from water conservation to the use of peat etc. He added that as part of the KLoE requirements, the Council was expected to develop an overall strategy to identify and mitigate the use of such resources. Tracy Scholes confirmed that actions which would demonstrate the overall strategy were currently contained within the Corporate Plan and it was anticipated that the achievement of these actions would address this point in the next year's audit. As a result, the Council would in the very near future be able to demonstrate a clear direction.

Councillor John Singleton asked Mr Leviston to explain how the Council could be assured that it was getting value for money from its Auditors taking in to consideration the size of the authority. Mr Leviston confirmed that all external auditors work to a 'scale of rates' based on the size of the Council. In addition, there was a process of negotiation with the Chief Executive to ensure that the Council did in fact get value for money.

Following detailed discussion it was RESOLVED:

1. To thank Mr Leviston for the timely production of the report and his attendance at the meeting.
2. To welcome the work undertaken by the Council over the course of the year resulting in a number of improvements as identified by the Council's external auditors with particular reference to improvements made to arrangements for workforce planning, performance in commissioning and procurement, an increased understanding of cost bases and performance together with the timely production of evidence and information in relation to financial information.
3. To circulate at the earliest opportunity, an update on the strategy to address the use of natural resources requirement.

(The Chairman indicated that he 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. Annual Statement of Accounts 209/10 (Post Audit)

Joanna Scott (Section 151 Officer) presented a report on the Annual Statement of Accounts.

The report highlighted the Council's statutory obligations in preparing the financial statements of the Authority. In addition, it made reference to a small number of presentational adjustments that had been identified by KPMG. Ms Scott indicated that the Statement of Accounts had been adjusted accordingly to ensure that the Authority had fully complied with Accounting Standards and the SORP.

Copies of the updated Statement of Accounts together with the presentational adjustments agreed with KPMG were circulated with the agenda.

Councillor John Singleton asked whether a robust action plan had been put in place in anticipation of the Government's comprehensive spending review. Mrs. Scott confirmed that the impact of the spending review had been highlighted as a high risk and that key areas such as concessionary fares, the waste management contract and partnership working etc had been built in to the forecast. She added that at this stage in the process there were too many unknowns and that the budget announcement in October would provide more information. Tracy Scholes gave an example of savings which has been generated in related to a shared service partnership and the measures in place to monitor delivery.

Following consideration of this matter the committee RESOLVED to approve the updated Statement of Accounts for 2009/10 and that they be submitted to Full Council and re-signed accordingly.

(The Chairman indicated that he 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. Management Letter of Representation 2009/10

Joanna Scott (Section 151 Officer) reported that the Council's external auditors KPMG required the Council to provide them with representations on specific matters such as the Council's financial standing and whether the transactions within the accounts were legal and unaffected by fraud.

Ms Scott explained that the wording for these representations is standard and prescribed by auditing standards. KPMG required a signed copy of the Council's management representations before they issued their audit opinion.

It was reported that the process was facilitated by the signing of a management letter of representation by the Chief Executive.

It was RESOLVED to authorise the Chief Executive to sign the Management Letter of representation for 2009/10.

(The Chairman indicated that he 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. International Financial Reporting Standards (IFRS) Project progress Update

Joanna Scott (Section 151 Officer) presented an overview on the project progress made to the end of August 2010 in relation to the introduction of a new financial reporting framework, whereby the accounts for local authorities will be prepared under International Financial Reporting Standards (IFRS), with effect from 2010/11 (1/4/2010).

Mrs Scott explained that the majority of the preparatory IFRS work had now been completed but final detailed guidance from CIPFA was still outstanding. She added that this caused some considerable concern to the Council as the completion of the final part of the project was dependent on the receipt of the information.

In brief, the report highlighted progress to date and details of the project tasks outstanding/ ongoing. In addition, it provided a detailed plan of all the work required to be undertaken to the end of 2011.

Following consideration of this matter it was RESOLVED that the Audit Committee notes the progress on the implementation of the IFRS and that a review of the matter be considered at the January meeting of the committee.

(The Chairman indicated that he 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. Effectiveness of Internal Audit)

Savile Sykes (Head of Internal Audit) provided an overview on the effectiveness of internal Audit. In doing so, he made reference to the 'light touch' self assessment exercise that had undertaken following last year's independent per review by a neighbouring authority.

Mr Sykes stated that the internal audit function is considered to be a key indicator in providing assurance on internal control. He added that a review of internal audit effectiveness is required as part of satisfying the overall governance arrangements in local authorities and supported the Council's Annual Governance Statement.

In brief, the report highlighted the findings of a self assessment exercise in relation to the effectiveness of internal audit and made certain recommendations for improvement. In addition, it made reference to the CIPFA Code of Practice for Internal Audit checklist (which contained 11 standards) performance indicators for internal audit together with details of a benchmarking exercise undertaken with other Lancashire authorities in relation to cost of internal audit.

Following discussion it was RESOLVED:

1. To note the findings of the 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 in the United Kingdom 2006.
2. To convey the Committee's grateful thanks and appreciation to the audit team for their professionalism and high standards of work.

(The Chairman indicated that he 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. Internal Audit- Terms of Reference

Savile Sykes (Head of Internal Audit) presented a review and update of Internal Audit's Terms of Reference which had been undertaken as part of the annual review of the effectiveness of the system of Internal Audit. The Terms of Reference set out the nature, role, responsibility, status and authority of Internal Audit within the Council and outlined the scope and conduct of internal audit work.

Mr Sykes confirmed that the Terms of Reference had been prepared in accordance with the provisions set out within the "Code of Practice for Internal Audit in Local Government in the UK 2006".

A full copy of the revised Terms of Reference was circulated with the agenda for consideration.

The Committee RESOLVED to approve the Terms of Reference as circulated.

(The Chairman indicated that he 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. Internal Audit Strategy

As required by Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government, members of the Committee were presented with a copy of the proposed Internal Audit Strategy for consideration.

Mr Sykes explained that the Strategy is intended to be a high level statement of how the internal audit service would be delivered in accordance with its Terms of Reference. He added that it should also communicate the contribution that Internal Audit makes to the Council and that it was important to keep the strategy under review and up to date. Members were advised that the proposed strategy replaced the previous document and reflected the requirements of the Code.

A full copy of the Strategy was circulated with the agenda.

After discussion it was RESOLVED to approve the Internal Audit Strategy as appended to the report.

(The Chairman indicated that he 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. Corporate Governance Improvement Plan 2010/11

Further to the report submitted to the June meeting of the committee, Tracy Scholes (Director of Governance of Partnerships) presented an update on progress made so far in implementing the various actions to achieve improved corporate governance during 2010/11 and in doing so, also highlighted those areas where agreed actions had yet to be implemented.

The report included a copy of the Corporate Governance Improvement Plan which detailed 9 actions to secure corporate governance. Mrs Scholes briefed the committee on the present position of each of the actions detailed.

It was RESOLVED:

1. To note the latest position with regard to each of the issues included on the Corporate Governance Improvement Plan 2010/11.

2. That an updated report be presented to the January meeting of the committee.

(The Chairman indicated that he 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)
