

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)
