



FYLDE BOROUGH COUNCIL

## Meeting Agenda

**Audit Committee  
Town Hall, St Annes  
Thursday 29 January 2009, 7:00 p.m.**

**The doors to the Town Hall will be open to the public at  
6:40p.m.**

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  
VICE-CHAIRMAN – Councillor Linda Nulty

### Councillors

Ben Aitken	Cheryl Little
Fabian Craig-Wilson	Janine Owen
Linda Nulty	Elizabeth Oades
Louis Rigby	Keith Hyde

Contact: Peter Welsh, St. Annes (01253) 658502, Email:  
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## **Our Vision**

*To establish Fylde Borough Council as a high performing local authority*

## **Our Corporate Objectives**

To improve the economic, social and environmental well-being of our communities through:

- The promotion and enhancement of the natural built environment
- Increasing the availability and access to good quality housing for all
- Maintaining healthy and safe communities to reduce the fear of crime
- Supporting and sustaining a strong and diverse Fylde coast economy to further enhance employment prospects

## **We will achieve this by:**

Focusing on customer requirements  
Clear community and organisational leadership  
Delivering high quality, cost-effective services  
Partnership working



## A G E N D A

### PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
1. <b>DECLARATIONS OF INTEREST:</b> <i>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).</i>	4
2. <b>CONFIRMATION OF MINUTES:</b> <i>To confirm as a correct record the minutes of the Audit Committee held on 30 September 2008. As attached at the end of the agenda.</i>	4
3. <b>SUBSTITUTE MEMBERS:</b> <i>Details of any substitute members notified in accordance with council procedure rule 25.3</i>	4
4. <b>STRATEGIC RISK 2008-2009</b>	7-10
5. <b>INTERNAL AUDIT INTERIM REPORT</b>	11-21
6. <b>REVIEW OF FINANCIAL PLANNING AND MANAGEMENT</b>	22-26
7. <b>CORPORATE GOVERNANCE – IMPROVEMENT PLAN 2008/09</b>	27-32

**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;
  - (ix) 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
CORPORATE RESOURCES DIRECTORATE	AUDIT COMMITTEE	29/01/2009	4

## STRATEGIC RISK 2008-2009

### Public Item

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

### Summary

The report summarises the work undertaken in completing the Strategic Risk Actions contained in the 2008/2009 Risk Register

### Recommendation

#### Recommendations

1. That the progress made on completing the Strategic Risk Actions for 2008-2009 be noted.
2. That any observations the committee have on the content of this report are passed to the Cabinet Portfolio Holder and /or the Strategic Risk Management Group

#### Reasons for recommendation

Report for information only

## Alternative options considered and rejected

Report for information only.

### Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Corporate Resources and Finance      Councillor R Small

### Report

#### 1 Background

1.1 In June 2008 the Risk Management Officer reported to the Audit Committee on the compilation of the 2008-2009 Risk Register. The purpose of the Register is to identify, analyse and prioritise those risks/opportunities that may affect the ability of the Council to achieve its corporate objectives in the financial year 2008-2009. It forms part of the Council's corporate governance requirement to manage its risk/opportunities. The risk register is renewed annually as part of the Council's Risk Management Strategy which was first adopted by the Council in 2003.

1.2 The strategy requires the Corporate Management Team to hold a risk workshop to prioritise the risk/opportunities each year. In 2008 twelve separate risk areas were identified at the initial risk workshop as requiring additional management and attention, over and above that, which would normally be expected and these areas were formulated into individual action plans (**see table below**). Each action plan was assigned to a "champion" (a member of the corporate management team) who was responsible for the assignment of the individual tasks identified in the plan. The "champion" is responsible for ensuring that these actions are completed.

Risk No.	Strategic Risk	Risk Champion
1	Political Relationships	Chief Executive
2	CPA re-categorisation	Chief Executive
3	Corporate Priorities	Corporate Policy & Performance Manager
4	Shared Services	Deputy Chief Executive
5	Accommodation	Strategic Planning & Development Manager
6	Staffing	Corporate Policy & Performance Manager
7	Budget Monitoring & Control	Section 151 Officer
8	Organisational Relationships & Communications	Community & Cultural Services Manager
9	Project Management	Deputy Chief Executive
10	Consultation / Complaints	Community & Cultural Services Manager
11	Embedding Health & Safety	Democratic Services and Member Support Manager
12	Risk Management – Operational Issues	Democratic Services and Member Support Manager

1.3 During the year a further three strategic risks were identified by the Strategic Risk Management Group and these were reported to the Corporate Management Team who agreed to add these risk to the 2008-2009 Risk Register. These additional strategic risks are identified in the table below.

Risk No.	Strategic Risk	Risk Champion
13	Management Reorganisation	Chief Executive
14	Appointment of Section 151 Officer	Chief Executive
15	Economic Downturn – Credit Crunch	Chief Executive

## 2 Monitoring

2.1 Monitoring of the Action Plans is carried out by the Strategic Risk Management Group (SRMG). This group is chaired by the Executive Manager/ Director with responsibility for Risk Management. The 2008/2009 this was Tracy Scholes up to September 2008 and Dave Joy since that date. Both the Cabinet Portfolio Holder and Member Champion are invited to the SRMG. In 2008/2009 the Portfolio Holder was Cllr Pounder until September 2008 and since that date Cllr Small. The member champion for Strategic Risk Management is Cllr Mulholland. The group is also attended by all directorate heads, the Head of Internal Audit along with representatives of the Council's Insurers (Zurich Municipal) and Health & Safety providers (Blackpool Council) and the Council's Risk Management Officer.

2.2 The SRMG has its meetings on a 6 weekly cycle throughout the year to monitor the completion of the Strategic Risk Action Plans, make amendments to the plans and necessary and as already mentioned in 1.3 above add further risk actions to the register should this be necessary.

2.3 The twelve action plans in the original register adopted in June 2008, had 66 individual actions to be undertaken by assigned officers by certain key dates throughout the year. These individual actions have been monitored by the SRMG throughout 2008. There were also a further 25 individual actions produced by the 3 additional strategic risks which have also been monitored by the SRMG.

2.4 The last meeting of the SRMG received an update report on the current position with regard to the individual actions due to date. Out of a total number of 51 individual risk actions 46 (90%) had been fully completed to the satisfaction of the SRMG.

2.5 Of the remaining 5 actions due for completion 4 were in the process of being completed and an update report on these actions will be made to the next meeting of the SRMG. These actions related to Shared Services, Events Management and Stress Management. The final action related to a continuance of the Middle Managers Training Programme. This action had not commenced due to the spending constraints implemented in the autumn to alleviate the Council's budgetary problems. This action will recommence as and when funding becomes available.

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658	17/01/09	

List of Background Papers		
Name of document	Date	Where available for inspection
Risk Register 2008/2009	June 2008	Risk Management Officers office by arrangement

### Attached documents

IMPLICATIONS	
Finance	The Accounts and Audit Regulations require the Council to ensure that its financial management is adequate and effective and includes arrangements for the management of risk.
Legal	The Council is required to make arrangements for the management of risk as part of its corporate governance arrangements
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	The satisfactory completion of the action plans is essential to reducing the Strategic Risks facing the Council and assists in fulfilling the requirements of the Accounts Regulations and Corporate Governance requirements

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	29/01/09	5

## INTERNAL AUDIT INTERIM REPORT 2008/09

### Public Item

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

### Summary

At its meeting in April 2008 the committee endorsed the Internal Audit Annual Plan for 2008/09. This report summarises the work undertaken by internal audit from April to December 2008 and performance information for the same period. It also outlines factors affecting the achievement of the annual plan and sets out a number of amendments to reflect the current situation.

### Recommendations

- 1) To note the Internal Audit Interim Report
- 2) To note the position with regard to the Internal Audit Plan and the amendments to it

### Reasons for recommendation

The report is principally informative and provided for the purpose of assurance. It presents an update on the progress made during the year and allows members to consider the work undertaken by the internal audit team.

The reduction in the audit plan reflects the resources available.

### Alternative options considered and rejected

Not applicable

## Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Efficiency (Councillor Roger Small)

### 1. Background

1.1 The Accounts and Audit Regulations require the Council to maintain an adequate and effective internal audit of its accounting records and control systems. This report provides the Audit Committee with information on work undertaken and assurances gained in these respects between 1<sup>st</sup> April and 31<sup>st</sup> December 2008.

1.2 During this period unforeseen reduced resources have resulted in a lower than expected completion rate for the annual audit plan. This report explains the situation and sets out the required changes to the current year's plan.

### 2. Assurance on Internal Control

2.1 During the period from 1<sup>st</sup> April to 30<sup>th</sup> December 2008 sixteen (16) final reports have been completed and action plans agreed where appropriate. Copies of the reports and action plans are placed in the Members Room on the completion of each review.

2.2 In the 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.

2.3 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 Table Two shows the category of recommendations identified for each audit completed, together with the assurance rating for the system reviewed.

**Table Two: Reports, Risk & Assurance**

<b>Audit Area</b>	<b>High Risks</b>	<b>Medium Risks</b>	<b>Low Risks</b>	<b>Assurance Level</b>
Car Allowances & Expenses	-	7	4	Substantial
Treasury Management*	2	4	8	Moderate
BVPI <sup>1</sup>	-	-	-	-
Internet Usage	-	10	1	Limited
IT Audit - Civica <sup>2</sup>	-	9	3	-
Land Transactions <sup>1</sup>	4	1	-	-
Election Payments <sup>1</sup>	-	5	2	-
Streetscene Assurance (Operations)	1	3	4	Moderate
Streetscene Assurance (Community)	-	5	4	Moderate
Payroll	-	7	4	Moderate
Confidential Waste	-	10	4	Limited
Cash Collection (Central Cashiers)	2	10	2	Moderate
Cash Collection (Fylde Direct)	-	5	4	Moderate
Cash Collection (Remote)	-	7	3	Moderate
Mobile Phone BPR <sup>3</sup>	-	2	1	-
Building Security BPR <sup>3</sup>	-	-	4	-
<b>Total</b>	<b>9</b>	<b>85</b>	<b>48</b>	

<sup>1</sup> Non-Assurance Review

<sup>2</sup> Review performed by LCC

<sup>3</sup> Investigation

2.5 For those systems reviewed by Internal Audit to 31<sup>st</sup> December in 2008/09 the average assurance score was 2.9 on the scale of 1 to 5. This equates to moderate assurance and indicates that on the whole there is a sound system of control but some controls are not operating effectively.

2.6 There were nine important internal control weaknesses brought to the attention of management during the first half of the year. Dates for remedial actions to be in place have been agreed with management for all of them.

2.7 Table Three sets out the issues, the responsible executive managers and the agreed dates for resolution.

**Table Three: High Priority Risks Identified**

<b>Risk</b>	<b>Director</b>	<b>Resolution Date</b>
No confirmation of investment transactions to bank or broker records	Finance	Jun 08
Lack of supervisory checks in relation to short term cash investments	Finance	Jun 08
No specific procedures relating to land transactions	Strategic Development	Jun 09

Project management process not fully embedded	Strategic Development	Apr 09
Weak arrangements for reporting offers to purchase land	Strategic Development	Nov 08
Need to regularise informal arrangement for land occupation	Strategic Development	Oct 08
Failure to obtain formal advance authorisation for purchases	Operational Services	Oct 08
Unnecessary storage of sensitive personal data	Finance	Nov 08
Weakness in telephone payment security arrangements	Finance	Nov 08

2.8 At the present time the informal arrangement for the occupation of land has been terminated and the reporting of purchase offers has been regularised; the concerns in relation to storage of personal data and telephone payments have also been addressed. Assurance has been received from the newly appointed Head of Finance that the two investment risks are being addressed as a matter of urgency. The remaining issues have not yet reached the agreed date for resolution.

### 3. Follow-Up Work

3.1 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Seven (7) follow-up reviews have been completed to 31 December.

3.2 Table Four shows the total number of agreed recommendations that were implemented by managers.

**Table Four: Agreed Recommendations Implemented**

Audit Area	R e c o m m e n d a t i o n s		
	Total Agreed	Number Implemented	% Implemented
Vehicle & Plant	16	12	75%
Cash Collection (Central Cashiers)	10	8	80%
Cash Collection (Fylde Direct)	7	7	100%
Cash Collection (Remote)	5	4	80%
Car Parking	17	12	71%
Car Allowances	11	11	100%
Payroll	11	9	82%
Total	77	63	82%

3.3 The overall implementation rate to 31 December stands at 82% compared to the best overall implementation rate of 83% for 2007/08. At the time of the Interim Report in 2007/08 the rate stood at 77%. Although the current figure is close to the highest ever implementation rate it falls short of the 95% target suggested by the committee at its February 2008 meeting.

### 4 Special Investigations

4.1 During the year to the 30<sup>th</sup> December the audit team undertook three special investigations into allegations of fraud and corruption. One of these was the result of information provided by a whistleblower.

4.2 One case resulted in disciplinary action against the employee concerned. The two remaining cases are ongoing – both at the investigation phase.

4.3 Table Five summarises the results of the various special investigations during April to December compared with the outturn for the previous year.

**Table Five: Results of Special Investigations**

Outcome	Number	Number	Number
	2006- 07	2007- 08	2008 (Apr-Dec)
Disciplinary action	1	4	1
Employee Resigned prior to conclusion	-	1	-
No evidence to support allegation	2	1	-
Inconclusive evidence	2	1	-
Investigation aborted	-	1	-
Police investigation, inconclusive	2	-	-
Standards Board referral, no action	1	-	-
Investigation ongoing	-	-	2
Total	8	8	3

4.4 Altogether a total of 15 days was taken up dealing with reactive fraud work during the period 1<sup>st</sup> April 2007 to the 30<sup>th</sup> December. This compares with a total of 95 days spent on fraud in 2007-08 and 21 days in 2006-07. Clearly the amount of fraud work required is not predictable and its impact on the achievement of the audit plan can be considerable.

## 5 Projects, Consultancy & Advice

5.1 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, they 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

5.2 In the period to 31<sup>st</sup> December 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 BVPI figures in preparation for Audit Commission final review and approval. The input from Internal Audit resulted in a fully accurate publication of performance indicators for the third successive year.

- ♦ Use of Resources Key Lines of Enquiry – performed research and gathered evidence in support of the Audit Commission’s best practice assessment of the Council’s performance in relation to internal control and risk management.
- ♦ Complaint Investigation – investigated a complaint from a local resident on behalf of KPMG, the Council’s external auditors, to ensure Council procedures were properly followed.
- ♦ National Fraud Initiative – internal audit has acted as key contact for this biennial exercise, nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and electoral information for a data matching exercise.
- ♦ CPA Re-categorisation – the Head of Internal Audit was a member of the corporate group that co-ordinated and managed the project to secure an improved assessment under the Comprehensive Performance Assessment regime.
- ♦ Code of Connection – advised s.151 Officer concerning the national scheme to improve data access security and secured the establishment of a dedicated project group to co-ordinate and monitor progress.

5.3 In addition to the above from mid-September the Head of Internal Audit assumed responsibility for the benefit fraud service following the outsourcing of the housing benefit service to Blackpool Council. Currently the benefit fraud service is provided under a six-month Service Level Agreement with Preston City Council.

## **6 Annual Internal Audit Plan**

### Reduced Resources

6.1 The resources of internal audit are almost exclusively manpower related. During 2008/09 various changes to the team and recruitment restrictions have impacted on the time available to achieve the plan.

6.2 Early in the year a member of the audit team resigned and worked a reduced period of notice. A recruitment time lag of 99 days occurred between the date of leaving and the commencement of the newly recruited officer.

6.3 Subsequently a second auditor also left immediately after completing a period of nine month’s maternity leave. Unfortunately this occurred after the ‘freeze’ on recruitment had been imposed as part of the response to the financial pressures facing the authority. The impact of this on the audit plan amounts to a further 98 days.

6.4 The total impact of reduced manpower resources in the current audit year is 197 days. From this between 25% and 30% of time is accounted for by holidays, training, absences and non-audit duties. This equates to a loss of around 140 working days.

### Impact on Audit Plan

6.5 The original audit plan totalled 649 days. A total adjustment of 140 days needs to be made to take account of the reduced resources available. The original and revised plans are attached for information as an Appendix.

6.6 The objective for the remainder of the year will be to undertake the audits of the remaining fundamental financial systems, to complete the follow up reviews of audits already undertaken and to conclude those audits already commenced.

6.7 This means the following audit reviews that have not been started will have to be omitted from this year's programme of work. Table Six below sets out the omitted reviews saving 120 days.

**Table Six: Audits to be Omitted**

Audit Reviews	Planned days 2008-9
Payroll	18
Procurement	18
Purchasing Cards	10
Trade Refuse Income	18
Partnership Review	20
Tendering & Contracts	20
Overtime Review	6
Cheques	3
Petty Cash & Floats	3
Follow Up Reviews postponed	4
	120

6.8 Additional savings of 11 days will be made from the time allocated to Management & Administration, meaning that 131 days will be saved by not undertaking planned work in the current year. A concerted effort to save the remaining 9 days from within the audits yet to be performed will be attempted

6.9 These essential amendments to the plan will permit the audit team to focus on the most significant work remaining. Naturally any additional unplanned work arising in the final quarter of the year or unexpected staff changes will have a further detrimental impact on planned work.

6.10 The changes to the audit plan will inevitably mean a reduced level of audit coverage overall. Nevertheless the fundamental systems and significant corporate matters will continue to be examined as originally planned. The compromise plan represents the best use of time available in the prevailing circumstances.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	13/01/09

List of Background Papers		
Name of document	Date	Where available for inspection
Audit Plan 2008/09	Latest update	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail <a href="mailto:saviles@fylde.gov.uk">saviles@fylde.gov.uk</a>

### Attached documents

1. Internal Audit Plan 2008/09 (Revised).

IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2003 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>The report also contributes towards the production of the Annual Governance Statement which forms part of the Financial Statements of the Annual Accounts published each year by the Council.</p>
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	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.

FYLDE BOROUGH Council - Internal Audit Plan 2008/2009

	Original	Revised	Difference
<b>Main Financial Systems</b>			
Cash Collection	18	20	-2
Council Tax	15	15	0
Business Rates	10	10	0
Creditors	18	16	2
Housing Benefit/Council Tax Benefit	25	25	0
Main Accounting	18	18	0
Payroll	18	0	18
Sundry Debtors	18	18	0
Treasury Management	18	18	0
<b>Other Financial Systems</b>			
Overtime Review	6	0	6
Petty Cash & Floats	3	0	3
Procurement	18	0	18
Purchasing Cards	10	0	10
Trade Refuse Income	18	0	18
Car Allowances (Follow Up)	1	1	0
Car Parking (Follow Up)	1	2	-1
Election Payments (Follow Up)	1	0	1
Land Transactions (Follow Up)	1	0	1
Swimming Pools (Follow Up)	1	1	0
Vending Machine Provision (Follow Up)	1	0	1
<b>Non-Financial Audit</b>			
Internet Usage	18	14	4
Partnerships Review	20	0	20
Risk Management	18	18	0
Interests, Gifts & Hospitality (Follow Up)	1	1	0
<b>Corporate Governance</b>			
Annual Governance Review	20	20	0
Use of Resources KLOE	5	5	0
<b>Performance Management</b>			
Performance Indicator Review	28	35	-7
<b>Computer Audit</b>			
LCC Review - Liaison/Assistance	4	4	0
<b>Contract Audit</b>			
Tendering & Contracts	20	0	20
<b>Anti-Fraud</b>			
F&C Cheques	3	0	3
F&C Loans & Investments	4	1	3

Stocks & Stores FUP	2	2	0
Streetscene Anti-Fraud Initiative	4	4	0
Recruitment Issues (Follow Up)	1	0	1
Reactive Fraud Investigations	0	0	0
<b>Other Audit Work</b>			
Authorisation Schedules	3	6	-3
Cancelled/Replacement Cheques	11	11	0
<b>Slippage</b>			
Audit Work from 2007/08 Plan	0	0	0
<b>Consultancy/Advice</b>			
General Advice & Asst. Office of Chief Exec	1	1	0
General Advice & Asst. Community Services	1	1	0
General Advice & Asst. Corporate Resources	1	1	0
General Advice & Asst. Perf & Business Imp	1	1	0
General Advice & Asst. Finance Team	3	3	0
General Advice & Asst. Strategic Planning	0	0	0
General Advice & Asst. Operational Services	1	1	0
Unplanned Consultancy Work	0	0	0
<b>Audit Team</b>			
Management	53	59	-6
Planning & Reporting	24	20	4
Administration	44	34	10
Service Development Work	7	0	7
External Liaison	7	7	0
<b><u>TOTAL AUDIT WORK</u></b>			
<b>Corporate &amp; Democratic Core</b>			
Committee Attendance/TOIL/Chair's Briefing	3	3	0
Core Briefing/Departmental Management Team	5	5	0
Corporate Groups/Initiatives/Meetings	3	3	0
Equalities & Diversity	3	1	2
Members' Reports & Enquiries	1	1	0
Member Training - Audit Sub Committee	2	4	-2
Minutes/Agendas/Reports/Publications	2	2	0
<b>Non Audit Work</b>			
Controlled Stationery	13	13	0
Insurance & Risk Management	6	6	0
Business Unit Matters	4	4	0
			0
<b>Contingency Allowance</b>	83	83	0
<b>TOTAL DAYS ALLOCATED</b>	<b>649</b>	<b>518</b>	<b>131</b>

<b>Audit Resources Adjustment</b>	-140	
<b>Miscellaneous Time Savings</b>		-9
<b><u>REVISED DAYS ALLOCATED</u></b>	<b>509</b>	<b>509</b>

**Contingency**

Slippage	30
Reactive Audit	15
Reactive Fraud	8
Fraud Investigation	10
	63

<b>Contingency Allowance</b>	83
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# REPORT



REPORT OF	MEETING	DATE	ITEM NO
FINANCE DIRECTOR	AUDIT COMMITTEE	29/01/09	6

## REVIEW OF FINANCIAL PLANNING & MANAGEMENT

### Public Item

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

### Summary

The Council's external auditors, KPMG, have forwarded the draft terms of reference for their review of Financial Planning and Management. These take account of KPMG's review of the authority's Medium Term Financial Strategy, which underpins the work proposed.

### Recommendation

1. The terms of reference for the review of Financial Planning and Management be noted.

### Reason for recommendation

The terms of reference have been agreed in principle with the Section 151 Officer

### Alternative options considered and rejected

This report is for information and comment only

## Cabinet Portfolio

The item falls within the following Cabinet portfolio:  
Finance & Efficiency (Councillor Roger Small)

### Report

1. The Council's external auditors, KPMG, have forwarded the draft terms of reference for their review of Financial Planning and Management. These take account of KPMG's review of the authority's Medium Term Financial Strategy, which underpins the work proposed.
2. Reports from the external auditor are an extremely useful source of assurance about the authority's financial management. The Audit Committee has a role in monitoring the work of external audit to ensure that the approach is adopted maximises the value of the review to the Council.
3. Consequently the Committee is invited to consider the attached terms of reference proposed by the external auditors, seek clarification and comment as necessary. In a preliminary consultation the draft terms of reference have been agreed in principle with the Finance Director.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	13/01/09	

List of Background Papers		
Name of document	Date	Where available for inspection
N/A		

### Attached documents

1. Review of Financial Planning & Management – Terms of Reference

IMPLICATIONS	
Finance	<p>The review will consider:</p> <ul style="list-style-type: none"><li>• The robustness of arrangements for identifying and delivering a balanced budget for 2008/09 and beyond.</li><li>• An assessment of the Council's cash flow position in light of the current financial pressures being faced.</li><li>• The links between financial and service planning whilst delivering savings and improved performance outcomes.</li><li>• The use of risk management tools and different modelling techniques to help anticipate the impact on both financial and performance targets.</li><li>• The adequacy and timeliness of budget information provided to both budget holders and Members to support key decisions.</li></ul>

Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications

## **Review of Financial Planning and Management**

### **Terms of Reference**

#### **Background**

Financial Management has been described by CIPFA as the system by which the financial aspects of an organisation's business are directed and controlled to support the delivery of its goals. An important element of the financial management process is producing a meaningful annual budget, which is not only a part of the Council's internal control system, but also the foundation of its financial plan to support priorities.

Over the last year the Council has looked to improve its systems for financial planning and management to ensure they are fit for purpose and provide management with key information in a timely manner to aid the decision making process whilst delivering value for money.

Fylde BC has recently approved a revised Medium Term Financial Strategy with a view to managing pressures and delivering a balanced budget for 2008/09. The purpose of this piece of work is to review recent changes to the MTFS and proactively comment on these and the proposed changes to the Council's financial planning and ongoing management arrangements as they are developed. One of the key issues this review will consider is the prompt identification of pressure points and management of these by budget holders at a service level.

#### **Objectives and scope of the review**

The objective of this piece of work is to review the changes already made and to proactively comment on proposed changes to the Council's financial management arrangements.

Our review will specifically consider the following in respect of the continued development of the MTFS and financial management arrangements:

- The robustness of arrangements for identifying and delivering a balanced budget for 2008/09 and beyond.
- An assessment of the Council's cash flow position in light of the current financial pressures being faced.
- The links between financial and service planning whilst delivering savings and improved performance outcomes.
- The use of risk management tools and different modelling techniques to help anticipate the impact on both financial and performance targets.

- The adequacy and timeliness of budget information provided to both budget holders and Members to support key decisions.

### **Audit Approach**

We will undertake this work from November to May 2009, giving ongoing feedback in an appropriate format over this period. The fieldwork will consist of:

- Review of key documents.
- Interviews and discussion with key staff involved in the financial strategy development, budget preparation and linked processes.
- Draw upon comparisons to other councils and good practice where relevant.

### **Output**

An appropriate format of feedback will be provided during the course of the review.

### **Client deliverables**

The delivery of the project within timescales identified is dependant on the timely provision of the required background information and access to relevant staff. The ability to comment proactively in the development phase will only be possible where access to relevant papers and staff is also available as processes are being developed.

### **Audit administration**

Our audit team will include:

- Trevor Rees – the appointed auditor who is responsible for ensuring that the quality of this audit meets your requirements.
- Richard Foster – the manager responsible for the use of resources programme of work at Fylde BC.
- Neil Shelley – is responsible for on site delivery.

### **Project sponsor and Key contact**

Bernard Hayes is the project sponsor and key contact for this piece of work on a day to day basis. We will liaise with Bernard on detailed arrangements for undertaking the audit and maintain contact during the course of our work.

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF CORPORATE RESOURCES	AUDIT COMMITTEE	29/01/09	7

## CORPORATE GOVERNANCE – IMPROVEMENT PLAN 2008/09

### Public Item

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

### Summary

The Audit Committee is charged with adopting the Annual Governance Statement and monitoring the progress in fulfilling the Corporate Governance Improvement Plan.

### Recommendation

The Committee notes the latest position with regard to each of the issues currently included on the Corporate Governance Improvement Plan 2008/09.

### Reasons for recommendation

The report indicates the current situation

### Alternative options considered and rejected

This report is for information and comment only

## Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Efficiency (Councillor Roger Small)

### Report

1. The Annual Governance Statement for the year ended 31 March 2009, together with its associated action plan, was adopted by the Committee at its meeting on 30 June 2008. The responsibility for keeping the Corporate Governance Improvement Plan under review falls to the Audit Committee.
2. This interim report reveals the progress made so far in implementing the various actions to achieve improved corporate governance during 2008/09 and indicates areas where agreed actions have yet to be completed.
3. The 2008/09 Improvement Plan included 13 actions to secure improved corporate governance. The present position as advised by responsible managers is as follows:
  - Nine improvements have been completed in full – numbers 2, 4, 5, 6, 7, 9, 10, 12,13

Of the remaining five improvements:

  - Two have seen progress being made towards the agreed improvement - numbers 1, 11. Both of these actions have revised target dates
  - Two have not yet commenced but both have a revised target date – numbers 3, 8
4. Progress monitoring will continue and a follow up of the all the improvements 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 Improvement Plan for 2008/09 is attached as an Appendix showing the responsible officers, up-to-date target dates for completion and the current status.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	13/01/09

List of Background Papers		
Name of document	Date	Where available for inspection
Delivering Good Governance in Local Government	2007	All background papers or documents can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail <a href="mailto:saviles@fylde.gov.uk">saviles@fylde.gov.uk</a>

## Attached documents

1. Corporate Governance Improvement Plan.

IMPLICATIONS	
Finance	No specific implications
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	No specific implications

# CORPORATE GOVERNANCE IMPROVEMENT PLAN - 2008

Reference	Issue and action	How & Who	When	Current Status (as at 16.01.09)
AGS1	<p>Effective corporate arrangements should be in place to deal with complaints and failures in service delivery. Though specific complaints and service failures are addressed on an ad-hoc basis, there is no system that provides corporate management information on them.</p> <p><b><i>Develop and embed a corporate complaints system.</i></b></p>	AO to report to Cabinet on arrangements for new complaints system	30/09/08 01/03/08	A
AGS2	<p>The authority should measure the environmental impact of policies, plans and decisions. Present decision-making procedures do not include a stage where such impacts are expressly considered.</p> <p><b><i>Include an evaluation of environmental impact in the committee reporting template.</i></b></p>	ADJ to ask P Welsh to amend the template	30/09/08	G
AGS3	<p>The authority should have a protocol to ensure that the leader and chief executive maintain a shared understanding of roles and objectives. Though such a shared understanding exists, the arrangements are not formalised in any document.</p> <p><b><i>Develop a protocol to describe and formalise the current arrangements.</i></b></p>	PWW to discuss with Leader and review best practice	31/12/08 31/01/09	R
AGS4	<p>A senior officer (usually the Monitoring Officer) should be made responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p> <p><b><i>Include such responsibility in the job description of the Head of Legal Services and Monitoring Officer under the new management arrangements.</i></b></p>	PWW to make sure this is included in the MO's JD	30/09/08	G
AGS5	<p>When working in partnership or acting as nominee of the authority on external bodies, members should be clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority. However, members may not in all cases have been given guidance about how to reconcile their role in a partnership with their responsibility to the authority.</p> <p><b><i>Develop guidance for members about their responsibilities within partnerships or acting as nominee of the authority on external bodies, especially as participants such bodies as trusts and companies.</i></b></p>	ADJ to identify best practice guidance and adapt it for Fylde	31/12/08 28/02/09	G

Reference	Issue and action	How & Who	When	Current Status (as at 16.01.09)
AGS6	<p>The authority has arrangements in place to ensure employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. It should also operate processes to ensure such arrangements continue to operate effectively. Presently the job descriptions of executive managers do not detail this as a specific responsibility.</p> <p><b><i>Include the responsibility to require ethical compliance within the job descriptions of directors under the new management arrangements.</i></b></p>	PWW to make sure this is included in the directors' JDs	30/09/08	G
AGS7	<p>Those making decisions for the authority or in partnership should be provided with information that is relevant, timely and gives clear explanations of technical issues and their implications.</p> <p><b><i>Train members and officers on data quality. Put in place a data quality policy</i></b></p>	IC to liaise with Allan Oldfield about training	30/09/08	G
AGS8	<p>Each partnership should have a set of values against which decision-making and actions can be judged. Partners should demonstrate those values both individually and collectively. Partnership agreements presently do not expressly set out such values.</p> <p><b><i>Include a set of values in new and newly-renewed partnership agreements. Provide guidance for agreeing such values in the Partnership Protocol.</i></b></p>	ADJ to meet with Tracy Scholes to discuss updating the Partnership Protocol	30/09/08 28/02/09	R
AGS9	<p>There should be open and effective mechanisms for recording the criteria, rationale and evidence for decisions. The present reporting template for cabinet requires such matters as alternatives considered to be set out, but those for other council bodies do not.</p> <p><b><i>Extend the use of the new reporting template to other council bodies where appropriate.</i></b></p>	ADJ to ask P Welsh to amend the template	30/09/08	G
AGS10	<p>The staff appraisal system leading to personal development plans for all employees is not fully operational across all directorates.</p> <p>Implementation rate at 31/12/08 was 85%. CGC considered suitably embedded.</p> <p><b><i>Embed the staff appraisal and personal development process throughout the Council.</i></b></p>	IC to check the current level of compliance with Allan Oldfield and report back	30/09/08 31/12/08	G

Reference	Issue and action	How & Who	When	Current Status (as at 16.01.09)
AGS11	<p>Service Level Agreements or contracts with external providers should be in place for managing the Council Tax, Business Rates and Housing Benefits systems but these have not been agreed.</p> <p><b>Ensure Service Level Agreements or specific contractual commitments are in place for all services currently provided externally and in future for any subsequently outsourced services.</b></p> <ul style="list-style-type: none"> <li>Revenues and benefits and benefit fraud services have a fit for purpose SLA</li> </ul>	ADJ to make a list of other arrangements that should have an SLA. ADJ to take report to scrutiny.	31/12/08 28/02/09	A
AGS12	<p>The link between the key strategic actions that the Council will focus on as expressed in the Corporate Plan and the budget should be clear.</p> <p><b>Ensure key strategic actions are matched clearly with associated budgets.</b></p>	BH to take this on in the Autumn re-write of the medium-term financial strategy	30/11/08	G
AGS13	<p>The statutory duty to manage the health and safety of all employees was not consistently fully embedded across all departments. Presently the job descriptions of executive managers do not detail this as a specific responsibility.</p> <p><b>Enhance efforts to embed a health and safety culture across the organisation. Include the responsibility for implementation of corporate health and safety arrangements within the job descriptions of directors under the new management arrangements and actively embed council policy.</b></p>	PWW to make sure this is included in the directors' JDs	30/09/08	G

## Key

### Current Status

Red – R = Outstanding  
Amber – A = In Progress  
Green – G = Completed

## Audit Committee



Date	Tuesday 30 September 2008
Venue	Town Hall, St. Annes
Committee members	Councillor Linda Nulty (Acting Chairman) Councillor Cheryl Little (Acting Vice Chairman) Councillors Ben Aitken, David Chedd, Fabian Craig-Wilson, Louis Rigby
Other Councillors	Roger Small
Officers	Philip Woodward, Bernard Hayes, Christopher Kitchin
Other Attendees	Trevor Rees (KPMG), David Swallow (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.

### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 21 July 2008 as a correct record for signature by the chairman.

### 3. Substitute members

The following substitutions were reported under council procedure rule 22.3:

Councillor David Chedd for Councillor Elizabeth Oades

### 4. General Fund 1<sup>st</sup> Quarter Monitoring Report

Bernard Hayes (Section 151 Officer) presented a report that set out the position in respect of the General Fund 'Hot Spots' under and over spendings for the quarter ending 30<sup>th</sup> June 2008, together with Budget Holders comments as to the reasons to the variation. The report also provided a progress update at the end of the first quarter in respect of the Budget Savings agreed by Council in setting the Revenue Budget.

Mr Hayes informed the Committee that at the start of the new financial year the Council's Management Team had agreed a new system of Revenue Budget Monitoring, The system involved monthly monitoring reports being produced for Budget Holders to monitor their latest spending position. On a quarterly basis a "Hot Spots" report was produced that identified budgets that had a variation in excess of £5,000 as compared to the expenditure profile.

Following a full debate during which Mr Hayes addressed all of the issues raised it was RESOLVED:

1. That the Executive Member notes the report in respect of the budget “Hot Spots” and requests that all Budget Holders ensure that expenditure is contained within the agreed Budgets set by Council and where possible savings should be achieved.
2. That the Executive Member notes the report in respect of progress towards the savings targets and instructs that all Directors achieve their targets and where a target cannot be achieved alternative savings are proposed.

5. Annual Governance Report 2007-08

Trevor Rees and David Swallow of KPMG were in attendance at the meeting and presented the Commission’s report on Annual Governance.

Mr Rees summarised each section of the report to members of the Committee and thanked the Finance Team and the Officers from Preston for the improvements that had been made.

Mr Rees made reference to Appendix 8 of the report (Draft Management Letter) which had to be signed off.

Members raised concerns in relation to the Duplication of housing benefit debtors Appendix 4 (Accounts recommendations). Mr Hayes advised the Committee that procedures had now been put in place to eliminate such problems.

Following discussion the Committee RESOLVED to accept and sign the draft management representations letter.

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