



Meeting Agenda

**Audit Committee
Town Hall, St Annes
Thursday 30 April 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

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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. DECLARATIONS OF INTEREST: <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. CONFIRMATION OF MINUTES: <i>To confirm as a correct record the minutes of the Audit Committee held on 29 January 2009. 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 – 2007/08	7 – 24
5. NEW INTERIM FINANCIAL REPORTING STANDARDS	25 – 31
6. IT RISK ASSESSMENT ACTION PLAN	32 – 34
7. KPMG 2008 AUDITS – UPDATES	35 – 43
8. CORPORATE GOVERNANCE – IMPROVEMENT PLAN 2008/09	44 – 49
9. INTERNAL AUDIT STRATEGY	50 – 61
10. INTERNAL AUDIT PLAN 2009/10	62 – 68
11. AUDIT COMMITTEE WORKPLAN	69 – 72
12. EFFECTIVENESS OF THE AUDIT COMMITTEE	73 – 77

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;
 - (xi) 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	AUDIT COMMITTEE	30 APRIL 2009	4

ANNUAL AUDIT AND INSPECTION LETTER – 2007/08

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 Audit Manager (Tom Keena) and request the Chief Executive together with the Council's Management Team to produce a plan to implement 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.

Continued....

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 2007/08 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 2007/08 is attached.

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
Dave Joy	01253658700	19 th April 2009	Annualletter2007-08/Auditcommittee

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 2007/08

Annual Audit and Inspection Letter

Fylde Borough Council

Audit 2007/08

April 2009



Contents

Key messages	3
Purpose, responsibilities and scope	5
How is Fylde Council performing?	6
The audit of the accounts and value for money	12
Looking ahead	14
Closing remarks	15

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Key messages

- 1 The Council has made good progress in delivering its corporate priorities over the past year but it needs to tackle extensive capacity and financial challenges if these improvements are to be sustained.
- 2 Outcomes for local people are improving: the environment is cleaner and safer, availability of affordable housing is increasing and the tourist economy is developing well. Fylde is now a safer place to live with reducing levels of anti-social behaviour. Overall crime is the second lowest of any district in Lancashire. Public satisfaction with the area as a place to live has risen but satisfaction with the Council has fallen¹.
- 3 The recent Corporate Assessment judged Fylde to be a 'fair' council (an improvement on its previous rating of 'weak') but the Council has serious financial difficulties which adversely affect both its current and future capacity to deliver its priorities.
- 4 Initiatives aimed at improving health show limited evidence of outcomes to date but overall, the health of local people is better than the England average.
- 5 Supporting and sustaining a stronger local economy and employment prospects are increasing important as national economic conditions deteriorate. However, some progress was made during 2007/08 including improvements to the visual appearance of the district and increased visitor spending and hotel stays.
- 6 The approach to diversity and equality is improving but needs further development to strengthen engagement with all minority sections of the community. Sickness absence increased substantially during 2007/08 although there has been limited improvement more recently.
- 7 Financial capacity is a major and ongoing concern. Higher than expected costs for concessionary travel, together with reduced income from services, investments and contracts, and a low level of reserves, have placed the Council in severe financial difficulty. Although the delivery of savings targets is progressing well, it is likely that the impact on the Council's capacity and ability to sustain its performance will be significant.

Action needed by the Council

- 8 The Council should continue to retain an extremely close focus on the budget position as future financial stability is predicated upon the achievement of challenging budget savings across services.
- 9 2009 is proving to be a difficult year for all councils due to the national economic downturn. Pressures will increase further as the recession starts to bite. The Council should proactively manage its finances and other resources to deal with these pressures, particularly where costs and demands for services are increasing.

¹ Interim Place Survey data 2008: to be updated when final figures available.

- 10 The Council should ensure that it continues to work closely with NHS trusts and other key partners so that health initiatives are effectively co-ordinated across the borough in order to deliver outcomes.
- 11 Sickness absence increased in 2007/08 but there have been some recent improvements in the levels of absence. The Council should further enhance capacity by a continued a management focus on this issue.
- 12 The Council should analyse the reasons for low levels of satisfaction with the Council and take action to restore the public's level of confidence with Council activities.

Purpose, responsibilities and scope

- 13 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 14 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 15 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 16 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
- the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 17 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 18 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Fylde Council performing?

- 19 Fylde Borough Council was assessed as fair in the Comprehensive Performance Assessment carried out in March 2009. These assessments have been completed in all district councils. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



The improvement since last year - our Direction of Travel report

Improving outcomes

- 20 The Council is making good progress in delivering its stated priorities but its ability to sustain these improvements is uncertain in the light of limited financial capacity. Outcomes for local people are improving: the environment is cleaner and safer, availability of affordable housing is increasing and the tourist economy is developing well. Public satisfaction with the area as a place to live has risen to 87 per cent, although satisfaction with the Council has fallen to 41 per cent¹. The recent Corporate Assessment judged Fylde to be a 'fair' council (an improvement on its previous rating of 'weak') but the Council has serious financial difficulties which adversely affect both its current and future capacity to deliver its priorities.
- 21 Overall, the Council's services are improving at a faster rate than average but some lag behind the best nationally. Some 63 per cent of national performance indicators improved for Fylde during 2007/08, against a district council average of 57-59 per cent. The percentage of indicators where Fylde performs in the best quartile also increased - from 23 to 25 per cent - but is still below the average of 33 per cent. The Council is a top performer on recycling and street cleanliness is above average. There have been improvements in aspects of benefits and planning but performance within these services remains comparatively weak. Sickness absence increased substantially during 2007/08 although there has been limited improvement more recently.

¹ Interim Place Survey data 2008: to be updated when final figures available.

How is Fylde Council performing?

- 22** The Council is making good progress against its objective to promote and enhance the natural and built environment. The recycling and composting rate increased to almost 42 per cent during 2007/08. However, there were slight increases in both the amount of waste collected and the cost of the service. The incidence of littering and graffiti increased but remains below average. A recent survey shows that the proportion of people concerned about rubbish or litter lying around has fallen from 37 to 30 per cent over the last two years – the second lowest level in Lancashire. The Council promotes more efficient use of energy to local business and individuals and distributes low energy light bulbs. It is also working well with developers to ensure that new projects add to, rather than detract from, the local built environment – for example, in relation to the St. Annes town centre redevelopment.
- 23** The Council is performing well against its priority of increasing the availability of, and access to, good quality housing. Its track record on the provision of affordable housing is the best in Lancashire; 79 affordable units were completed during 2007/08 and a further 32 during the first half of 2008/09. The Council requires at least 30 per cent of major new developments to be affordable homes. In the Weeton Road development, it has worked with a Registered Social Landlord (RSL) to offer shared ownership homes, widening access to more potential purchasers. The homelessness service is improving since being brought back 'in-house', with good reductions achieved in both numbers of households and average length of stay in temporary accommodation.
- 24** Together with its partners, the Council is making Fylde a safer place to live and reducing anti-social behaviour. Overall crime as measured by the British Crime Survey is the second lowest of any district in Lancashire and fell by 6.6 per cent during 2007/08. Good reductions were achieved in vehicle crime, but burglary and violent crime levels remained broadly static. Data for the first half of 2008/09 indicates that Fylde is on track to meet its target for reducing serious acquisitive crime within the Lancashire Local Area Agreement (LAA). Fear of crime has fallen: the percentage of people who feel safe outside after dark has risen to 54 per cent. Activities for young people are improving, with two further skate parks are under construction, while joint work with the police is successfully targeting shops selling alcohol to under-age young people. The proportion of local people who feel that anti-social behaviour is high in their area fell from 17 to 11 per cent in the period between 2006 and 2008. The Shaping the Place project is targeting crime and housing in the disadvantaged Central Ward, for example restricting access to alleyways, thereby helping to improve quality of life for residents.
- 25** The Council is developing a range of initiatives aimed at improving the health of the community, but there is limited evidence of outcomes to date. Overall, the health of local people is better than the England average. Local action is focused on reducing alcohol misuse and increasing physical activity levels, feelings of wellbeing and life expectancy. Initiatives aimed at older people include the Zest for Life programme, which offers better health activities for the over 50s; Taste for Life, which offers advice on healthy eating; and a 'slips, trips and falls' programme, in partnership with the PCT, to raise awareness of personal safety. The Council has appointed a Community Development Officer to engage with young people, while joint funding with the PCT allows a nurse to work alongside the police and provide outreach work for young people with alcohol-related health issues.

- 26** There has been steady progress against the priority to support and sustain a strong and diverse economy and enhance employment prospects. Improvements to the visual appearance of the district – for example, St. Annes Square – are helping to attract more visitors. Increased visitor spending and hotel stays over the past year have helped to lift employment in tourist-related areas and support the local economy. Ashton Gardens has recently secured £1.4 million for regeneration. The Council has worked effectively as part of the partnership to secure the Open Golf Championship in Fylde in 2012 and is planning ahead to maximise the potential benefits of this for local people. It is collaborating with local businesses in Lytham to develop a number of initiatives to address the affects of the economic downturn.
- 27** Customer focus and access to services continue to be comparatively good, but capacity limitations are beginning to affect performance. Performance within Fylde Direct was strong during 2007/08 but has slipped more recently, due to a combination of staff vacancies and increase in demand related to the economic downturn. By December 2008, customer satisfaction had fallen from 95 to 89 per cent and the percentage of calls answered from 88 to 80 per cent. Use of the Council's website continues to rise and the number of transactions carried out online is on target to increase by more than 50 per cent during 2008/09. Currently all emails to the 'listening@fylde' address are actioned within 24 hours. The Council is part of an LSP community engagement project that uses a vehicle to promote take-up of services across the borough. It is also working with the county council to develop a joined-up enquiry service.
- 28** The approach to diversity and equality is improving but needs further development to strengthen engagement with all minority sections of the community. The Council is at Level 2 of the Equality Standard but is beginning to use Equality Impact Assessments to improve its approach – for example, when reviewing eligibility for wheelie-bin 'assisted pull-out' support. Staff have received Diversity and Equality training but arrangements to engage with Black and Minority Ethnic, Disability, Lesbian Gay Bisexual and Transvestites, Gypsy and Traveller and economic migrant groups are under-developed. And the lack of an engagement and communications strategy means that representations made by community groups are not always addressed strategically, causing scarce resources to be diverted from service delivery.
- 29** Value for money is adequate. Unit costs are generally below average; performance in key services, such as recycling, is improving; and public satisfaction levels for individual services are generally high. Limited gains in efficiency and effectiveness have been made through Business Process Re-engineering (BPR) – for example, in benefits where processing times improved from 14.5 days to 6.5 days – and BPR is now being rolled out to additional services, such as planning, taxi licensing and invoice payment. However, current financial circumstances require more substantial efficiency savings than those achieved to date to be delivered in the future. A restructuring of senior management, implemented in September 2008, has reduced staffing costs but the Council remains 'top heavy' when compared to others of similar size and functions.

How is Fylde Council performing?

Improvement plans to sustain improvement

- 30** Plans are in place to further improve local outcomes, but a lack of alignment between key service and financial strategies needs to be addressed. The Corporate Plan is being revised to ensure closer alignment with the new Fylde Sustainable Community Strategy (SCS); some links are already clear but others, such as the Council's contribution to promoting thriving neighbourhoods, are not evident. Moreover, the Medium Term Financial Strategy (MTFS) is focused on meeting short-term financial constraints rather than directing expenditure towards priorities or away from non priorities. Service plans are not linked to the MTFS and do not clearly demonstrate how services will contribute to corporate priorities and outcomes. It is difficult for the Council to undertake meaningful action planning when it is unclear whether it will have sufficient resources to deliver effectively in priority areas.
- 31** Performance management is improving, although action planning and target setting remain inconsistent. The Corporate Management Team reviews performance every two weeks and a focus on under-performance is driving service improvement in areas such as planning. However, greater use could be made of benchmarking to improve service delivery by learning from others. Councillors are actively involved in the management of performance through regular reporting, by exception, to Cabinet and Scrutiny. Data quality has improved and been assessed as well above minimum requirements during 2007/08. The Council has adopted the Escendency electronic system to monitor performance but is not yet using its full potential as a planning and management tool. Service plans include a list of performance indicators and actions, but not all of these are currently captured within Escendency, nor are they consistently SMART or challenging. More robust action plans need to be developed to enable the Council to accurately measure and monitor its progress.
- 32** The Council is developing its community leadership role and partnership working is becoming more focused. The Council is helping to raise the profile of the borough within the region through more active involvement with Lancashire Locals, the county-wide LSP and by working with neighbouring councils, RSLs, police and others. One impact of this new approach is the creation of the first local children's trust in Lancashire. The Fylde LSP is developing arrangements to monitor performance by translating the themes and ambitions within the SCS and Lancashire-wide LAA into measurable outcomes and action plans. The Council is also working effectively with other partners in the early stages of developing a Fylde Coast MAA.
- 33** Financial capacity is a major and ongoing concern. Higher than expected costs for concessionary travel, together with reduced income from services, investments and contracts, and a low level of reserves, have placed the Council in severe financial difficulty. Recent budget cuts and a freeze on vacancies are already having a detrimental effect on service delivery – for example, in the customer contact centre. The MTFS requires net savings of £1.1m during 2009/10, against a backdrop of £1.6m expenditure already reallocated to support budget pressures since 2007. Overall, this represents a net budget reduction of approximately 20 per cent. Although the delivery of savings targets is progressing well, it is likely that the impact on the Council's capacity and ability to sustain its performance will be significant.

- 34** Capacity amongst elected members is improving, but staff capacity is increasingly stretched and sickness absence is a problem. The Council has invested strongly in member development and received recognition for its councillor training with a national award in 2008. To enhance staff capacity it has developed contractual arrangements with a number of other councils covering, for example, revenues and benefits, human resources (HR) and public relations. Some of these are proving effective, notably the secondment of a Section 151 officer from Preston Borough Council which has improved awareness of financial management and strengthened financial systems and reporting. However, others are less robust: for example, the HR service level agreement does not provide a clear process for holding the service provider to account and there are no performance measures against which to monitor progress. During 2007/08, the number of days lost to sickness deteriorated to an average of 12.5 days per employee, placing Fylde amongst the worst 25 per cent of councils in the country. This partly reflects a comparatively high proportion of manual staff within the workforce. The position has shown some improvement during 2008/09 but the target figure of 10.5 days is unlikely to be met. This, together with a number of unfilled vacancies, further compromises the Council's capacity to deliver its priorities.
- 35** Although the Council has made good progress in delivering its corporate priorities over the past year, it needs to tackle extensive capacity and financial challenges if these improvements are to be sustained. It also needs to accelerate the rate of change in strategic and service planning and performance management.

Corporate Assessment Inspection

- 36** In 2008, the Council applied to be re-categorised for CPA purposes. The subsequent inspection was reported in March 2009 with the overall assessment of fair, an improvement on the Council's previous 2004 rating of weak. The key findings from the inspection are summarised below.
- 37** *The Council has made good progress in many areas and is now operating in a more strategic and coherent way. However, it faces serious difficulties, with financial reserves at only the minimum recommended level. Budget cuts are being made which will probably affect the quality of front line services.*
- 38** *Despite limited capacity, the Council has improved the quality of its services. Its commitment to service delivery and its focus on service users is valued by local people. Satisfaction levels for individual services are generally high, although overall satisfaction with the Council remains comparatively low. Recycling levels are high and the natural and built environments of the borough are well maintained. Fylde is a safe place to live, with crime levels low and reducing still further. The Council's relationship with landlords is productive with affordable homes targets being met and more accommodation for homeless people developed.*
- 39** *The Council's strengths include:*
- *better partnership working which is beginning to lay stronger foundations for the future;*
 - *clearer decision making and stronger political leadership;*

How is Fylde Council performing?

- *a higher profile across the region with increased involvement in county and regional approaches to improvement and efficiencies; and*
- *a good local reputation for delivering services which are valued by local people.*

40 Areas for improvement include:

- *the need to restore financial standing and capacity;*
- *accelerating the pace of change in modernising services; and*
- *developing a robust communication and engagement strategy to ensure that all stakeholders are involved and fully engaged with the council as effective partners.*

Tackling Health Inequalities in Lancashire

- 41 Over the past year we concluded a wide-ranging review of arrangements focusing on how partners work collaboratively to reduce health inequalities (HI) across Lancashire. Average life expectancies across the county are similar to those for England and Wales where the gap between the most affluent and most deprived areas is 6.8 years but parts of Lancashire show much greater variation.
- 42 Joint working is often challenging and health and local government bodies begin with different, sometimes competing, priorities. In addition, the need to develop healthier communities is closely linked to other priorities such as safer and stronger communities, sustainability and regeneration.
- 43 Our review found that despite progress in recent years, the county as a whole is not projected to achieve its Public Service Agreement (PSA) target to reduce HI, as measured by infant mortality and life expectancy at birth. Partner organisations in Lancashire have a clear commitment to tackling HI and the development of plans for 2008/09 and beyond is encouraging. However, some organisations and partnerships still lack coherent longer term strategies. These weaknesses are hampering effective partnership working and performance management. Scrutiny is inconsistently applied to health issues across the bodies we reviewed in Lancashire.
- 44 Directors of Public Health (DPH) across Lancashire are not making full use of their key strategic position and engagement with local health service providers has been limited. Community groups and service users are not consistently involved in the development of HI strategies.
- 45 We have recently received a joint response from all the organisations involved in the review which refers to the significant progress made since our field work was undertaken. However performance data shows that inequalities in health remain a challenge in several areas across Lancashire. We will continue to monitor progress against this key priority for the county.

The audit of the accounts and value for money

- 46 KPMG LLB as your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 47 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 48 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	1 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	2 out of 4

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

Use of Resources

- 49 Specific improvements have been made in relation to the production of the annual accounts and in particular the working papers and this has resulted in a level three score for the Financial Reporting theme.
- 50 Performance is adequate in relation to Financial Management, Internal Control and Value for Money. In these areas, the Council has already started to address a number of areas to achieve some aspects of the Level 3 criteria and certain Level 4 criteria but these were not fully embedded throughout the year.
- 51 The Councils financial position has deteriorated since the year end as a result of a number of factors including concessionary fares and increased fuel and utility bills, many of which are beyond the Councils control. This requires very careful financial management across all service lines to ensure the revised MTFS is achievable and reserves are available to allocate in line with priorities.
- 52 To help KPMG form a view on the Authority's arrangements for delivering economy, efficiency and effectiveness of some key projects a cross cutting piece of work around addressing health inequalities was undertaken, a summary of which is reported elsewhere in this letter.
- 53 KPMG concluded in the year that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Accounts

- 54 An unqualified audit opinion was issued to the Authority on 30 September 2008 with no material issues being identified. The documentation that the Authority provided to KPMG in support of the accounts was to a good standard and much improved on previous years.

Looking ahead

- 55 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 56 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 57 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 58 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the audit committee on 30 April 2009. Copies should be provided to all Council members.
- 59 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	June 2007
Interim audit memorandum	June 2008
Annual Governance Report - ISA 260 Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Tackling Health Inequalities in Lancashire	October 2008
CPA Corporate Assessment Inspection Report	March 2009
Annual audit and inspection letter	April 2009

-
- 60 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 61 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Tom Keena, Comprehensive Area Assessment Lead

KPMG LLB, Appointed Auditors

April 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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www.audit-commission.gov.uk

REPORT

REPORT OF	MEETING	DATE	ITEM NO
FINANCE	REPORT TO AUDIT COMMITTEE	30 TH APRIL 2009	5

NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Public Item

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

1. Summary

- 1.1 The purpose of this report is to brief the Audit Committee on the progress made 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.
- 1.2 This paper provides an update on the background to the introduction of IFRS and summarises the key issues and main areas of the review that will be required in order to ensure that the Council is fully compliant with IFRS for the year ending 31st March 2011.

Recommendation

1. That the Audit Committee note the report

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Corporate Resources & Finance Councillor Roger Small

Report

2. Information

- 2.1 Local Authorities are currently required to prepare their annual Statement of Accounts in accordance with United Kingdom Generally Accepted Accounting Practice (referred to as 'UK GAAP'), as modified for the public sector. Publicly listed

(private sector) companies within the European Union have been required to report under IFRS since 2005.

- 2.2 In the 2007 Budget speech, the Chancellor of the Exchequer announced that “in order to bring the benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, the annual financial statements of government departments and other public sector bodies will in future be prepared using International Financial Reporting Standards (IFRS) adapted as necessary for the public sector.”
- 2.3 Both the Australian and New Zealand public sectors have adopted the IFRS within the last 5 or so years so a transition to these standards has proved possible.
- 2.4 In the 2008 Central Government Budget Report it was stated that Local Government must implement IFRS from 2010/11 onwards.
- 2.5 Local Authorities will have the benefit of lessons learned from central government and health sections who must implement IFRS from 2009/10 onwards.

3. Key Issues

- 3.1 The introduction of IFRS will impact on all areas of the Council, not just Finance. At the very least the adoption of IFRS will require:
- Changes to the chart of accounts
 - Modifications to (the Council's general ledger system) to meet IFRS Information needs
 - An analysis of all other information such as leases, fixed assets to ensure IFRS compliance.
 - Changes to the terminology used in management and financial reporting
 - some of the main changes are detailed in the table below:

UK GAAP	IFRS
Income and Expenditure Account	Income Statement
Income	Revenue
Fixed	Non-current
Fixed Assets	Property, Plant and Equipment
Stocks	Inventories
Debtors	Receivables
Creditors	Payables
Income and Expenditure Reserve	Retained Earnings

These changes will affect the financial information provided for budgeting, forecasting, as well as financial reporting.

- 3.2 Even though IFRS is to be effectively implemented in the 2010/11 financial year, the actual IFRS transition date is 1st April 2009. Thus the Council must:
- (i) Re-state the opening balance sheet as at 1st April 2009 to comply with IFRS.
 - (ii) Prepare the 2009/10 accounts in accordance with UK GAAP and then restate the 2009/10 results to comply with IFRS, this will enable prior year comparatives
 - (iii) Prepare the 2010/11 results on an IFRS basis

- 3.3 Although detailed guidance is yet to be issued by CIPFA early indications state that the Council should seek to restate the opening balance sheet as at 1 April 2009 by 30th September 2009 is hoped the audit of these results will probably take place by 31st December 2009 although detailed conversations have yet to take place with the Council's external auditors, KPMG. Both the external auditors and local authorities currently await further detail on IFRS accounting from CIPFA.
- 3.4 Central Government will require the whole of Government accounts (WGA) annual returns (due by July each year) to be prepared on the IFRS basis from 2009/10 therefore Local Government will be requested to provide specific financial information compliant with IFRS for 2009/10 to enable this to happen. *(WGA are the accounts for all the public sector including local authorities. The Council, along with all other public sector bodies, currently completes a WGA form which is also subject to external audit, in addition to producing the Annual Statement of Accounts).*

4.0 Additional Disclosure Requirements

- 4.1 The introduction of IFRS has resulted in a significant change in financial reporting across the private sector and will prove to be equally as challenging within Local Government.
- 4.2 It is estimated that IFRS reporting requirements will result in the size of the annual statutory accounts increasing by an average of over 50%. It is hoped that the finance team will be able to undertake some of this additional work within existing budgeted resources, but it is inevitable that additional support will be required in the collation of this data to achieve these requirements.

5.0 Training Requirements

- 5.1 The transition to IFRS will be challenging. The terminology will be different, disclosure requirements of simple transactions are expected to be onerous and time consuming to prepare, and a number of the Council's systems and processes will require reviewing and updating to ensure compliance with IFRS.
- 5.2 The training of the Finance Team on the requirements of IFRS will take place during 2009/10, which could incur additional costs.

6.0 Resources

- 6.1 Preston City Council intend to take on an interim qualified accountant be appointed, with either private sector, central government or health service IFRS implementation experience to perform the initial impact assessment and the financial accounts review, as well as expanding on the existing project plan and performing elements of the detailed review. The intention is that this role could be shared with Fylde B C. The actual resource requirements by Fylde on IFRS still need to be assessed.
- 6.2 Resources will also be required from Strategic Development Services, Procurement, Legal, HR and IT to assist in the collation and review of data. At the time of writing the extent of this involvement and any potential additional resources costs is not yet known.

- 6.3 As stated in paragraphs 5.2 and section 6 initial indications are that there will be additional financial cost implications on the Council associated with training and additional resources requirements to implement IFRS. Until the detailed work on IFRS is well under way, the total value of these financial implications is not yet known.

7.0 Main Areas of Review

- 7.1 Initial guidance identifies that the main areas where there is an impact on the Council accounts is set out in Appendix A.
- 7.2 Once detailed IFRS guidance for local authorities is published, Appendix A will be updated. The guidance for local authorities was due to be amended by CIPFA in Autumn 2008 but has been delayed to Spring 2009.

8. Project Governance

- 8.1 The Director of Finance has overall responsibility for the implementation of IFRS.
- 8.2 A detailed project plan will be drawn up to identify objectives and timeframes. Depending on resources and availability of final guidance the project plan will be completed by the third quarter of 2009/10.
- 8.3 The Finance Team will engage with the KPMG throughout the implementation of the IFRS project. KPMG cannot recommend how the IFRS is adopted however they will be able to discuss their implications and review the Council's proposals.

9. Conclusions

- 9.1 The implementation of the IFRS will be challenging and will have an impact on how the Council records, analyses and presents financial (and financial related) information. As the detailed guidance becomes available further reports will be presented to Audit Committee Executive Member (Corporate Resources & Finance) and Management Team as appropriate.

10. Impact Statement

- 10.1 The Council's annual Statement of Accounts must be completed in accordance with statutory accounting standards and relevant recommended practice.

11 Reason for Decision

- 11.1 Statutory requirements must be adhered to.

Report Author	Tel	Date	Doc ID
J.Scott (AD(Head of Finance)	(01772) 906059	20/04/2009	

List of Background Papers

Name of document	Date	Where available for inspection
Document name		Council office or website address

Attached documents

1. Appendix A

IMPLICATIONS	
Finance	Included in Body of Report
Legal	Level of Legal involvement not known at this stage
Community Safety	N/A
Human Rights and Equalities	N/A
Sustainability and Environmental Impact	N/A
Health & Safety and Risk Management	N/A

APPENDIX A

Area of Change	Impact on the Council	Action Required	Teams affected
Fixed Assets – Valuation	Fixed assets must be carried at fair value.	Review of fixed asset base to ensure that the appropriate valuation basis is used.	Finance/ Property
Fixed Assets - Depreciation	Fixed assets need to be split down into major components with these components depreciated on an individual basis.	Review of the fixed asset base to identify major components and determination of appropriate asset lives.	Finance/ Property
Leases	Land and building leases need to be accounted for separately and there are more detailed disclosure requirements on all leases that the Council holds.	Review of all lease arrangements to ensure that each one is correctly accounted for.	Finance/ Property/ Legal
Segmental Reporting	The operational results disclosed within the accounts need to show how each 'segment' of the business performs. Centralised expenditure and assets and liabilities also need to be allocated to these segments.	Review and establishment of an appropriate 'segmented' reporting structure, approved by the Audit Committee, to ensure compliance with IFRS.	Audit Committee/ Finance
Financial Instruments	Any contracts which contain 'embedded derivatives' (ie contracts with variable amounts paid eg a contract with an annual RPI increase) require review to determine the correct accounting treatment. Additional disclosures are also required for debtors and creditors	Full review of material contracts to establish correct accounting treatment. Detailed review of debtors and creditors to establish detailed disclosure requirements	Finance / Legal / IT (Systems)

Annual Leave Accrual	Any holidays that staff carry forward from one financial year to another must be accounted for in the year that the entitlement to that holiday was earned.	Establishment of an annual leave accrual following determination of the most appropriate data collation methodology.	Finance / HR / All directorates
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REPORT

REPORT OF	MEETING	DATE	ITEM NO
PERFORMANCE & IMPROVEMENT	AUDIT COMMITTEE	APRIL 30 TH 2009	6

IT RISK ASSESSMENT ACTION PLAN

Public item

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

Summary

The report provides the committee with a progress update against the IT Risk Assessment Action Plan produced in 2007. The report has been produced at the request of the committee. Details of events and changes in the IT service area over the last 12 months are also included in the report to provide members with a comprehensive understanding of the current challenges.

Recommendations

1. That the committee recognises the actions taken to address the recommendations raised by the Risk Assessment Audit and sign off the plan as completed.

Portfolio Holder

The Cabinet Portfolio Holder for Performance and Policy is Councillor Paul Rigby.

Report

1. Appendix 1 includes details of the actions that have been taken in response to the recommendations made from the IT Risk Assessment audit carried out in 2007.
2. Members are asked to note that all the actions that can be delivered have been completed within the agreed time scales and that in the case of R4 circumstances have changed that have resulted in the work being included in the Code of Connection (known as CoCo) through the national Government Connect programme.
3. Delivery against the recommendations is very good with the only action incomplete (R4) prevented by the decision to close a satellite office. This issue has now been included as part of the requirement to meet with Government standards on a code of

connection (CoCo). Disaster recovery actions will always need to be continuously reviewed and once again are an integral part of the CoCo compliance requiring even more work to be carried out.

4. The focus of all IT services across the country at present is the work on the CoCo that is essentially all centred on security and has been driven by the number of information leaks that have occurred in the last few years and become national news headlines. The IT team at Fylde are dedicating a significant amount of time and resource to the CoCo that will further secure what is already a very secure network and data systems.
5. The progress made against the IT Risk Assessment recommendations is as comprehensive as it can be and as such the Committee should consider the work complete and that the actions taken are sufficient to mitigate the risks identified. The fact that the CoCo work is now on the IT agenda should offer further reassurance to the Committee that the IT networks, systems and data at Fylde are secure.

IMPLICATIONS	
Finance	There are no direct financial implications arising from the report.
Legal	There are no direct legal implications arising from the report.
Community Safety	There are no direct community safety implications.
Human Rights and Equalities	There are no direct human rights and equalities implications arising from the report.
Sustainability	There are no direct sustainability implications arising from this report.
Health & Safety and Risk Management	The action plan is a result of a risk assessment and any risks are mitigated by the actions undertaken.

Report Author	Tel	Date	Doc ID
ALLAN OLDFIELD	(01253) 658576	APRIL 17 TH 2009	

List of Background Papers		
Name of document	Date	Where available for inspection

List of appendices

Appendix 1: The IT Risk Assessment Action Plan Update

Appendix 1: IT Risk Assessment Plan Update

	Recommendation	Target Date	Progress
R1	Produce corporate guidelines for application system testing, document the testing and formalise sign off of system installations and updates	N/A	Individual system administrators are responsible for determining the appropriate level of application testing. Resources are not allocated to ICT for this work.
		July 2008 (IT)	A procedure has been set up to formalise corporate system updates that includes a sign off requirement.
R2	Develop a policy for the retention and checking of Audit Trails	July 2008	This work has been completed but it has already been revised and updated in 2009 in response Government Connect requirements.
R3	Review the procedures for dial in systems and improve the security	July 2008	All suppliers are now on the Citrix solution that is secure and is being further enhanced in 2009 in response to Government Connect requirements with the need for two factor authentication.
R4	Senior Management Group to consider and authorise significant changes on a regular basis to ensure that they fit with the authority's priorities and aims	N/A	Senior managers are consulted on the IT Strategy and Computer Use/Security Policy. Service managers sign off all requests for change originated within their Unit/Teams. The IT Manager checks that the requested changes conform to the necessary policies and strategies. Most recent example of this working effectively is the new computer security policy introduced in March 2009.
R5	Offsite copies of data should be retained in a locked, fireproof container in a building at least half a mile from the computer room	Revised target date June 2008	Backup tapes are taken off site to the public offices and secured in a fireproof container. No suitable Council owned buildings are available within half a mile due to the closure of Freedom House. This issue is one of the elements of the Government Connect requirements and as such is being addressed through the Code of Connection that the Council is required to achieve by September 2009.
R6	Complete the development of a Disaster Recovery Plan and test it as soon as possible	Jan 2008	A disaster recovery plan is in place in partnership with LCC and Wyre. The plan will always require ongoing development and update in response to service changes. Testing is carried out at least twice per annum.
R7	Ensure that vacant posts within the IT service are filled with the minimum delay	December 2008	The decision was taken to delete the senior vacancy in the IT Team to save money. The team have restructured their duties and will deliver a service that reflects the available resources. Any future vacancies will be filled immediately unless otherwise prevented by budget / management requirements.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
CORPORATE RESOURCES	AUDIT COMMITTEE	30 APRIL 2009	7

KPMG 2008 AUDITS - UPDATES

Public Item

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

Summary

To consider the progress to date in responding to recommendations from KPMG following audits undertaken in 2008.

Recommendation

To note and comment on progress made in response to the recommendation from KPMG following audits in 2008.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

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

Report

1. During 2008 KPMG's work programme resulted in a number of recommendations. The chairman of the Audit Committee has requested an update on the response to these recommendations.
2. On 17th June 2008 the committee received an Interim Audit Report from KPMG. A schedule of the recommendations contained in that report, including a statement of current status, is appended to this report.

3. On 30th September 2008 the committee received the Annual Governance Report 2007-08 from KPMG. A schedule of the recommendations contained in that report, including a statement of current status, is appended to this report.

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
Dave Joy	01253658700	19 th April 2009	KPMFauditsupdate

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

Attached documents

1. KPMG Interim Audit Recommendations – June 2008
2. KPMG Annual Governance Report - September 2008

KPMG Interim Audit Recommendations – June 2008

No.	Priority	Recommendation	Response	Status/ Officer/Date
1	1	Budget monitoring procedures The Council should produce a budget monitoring policy, or set of procedure notes, detailing the actions, timescales, accountability levels etc to be followed by all budget holders. This will supplement the finance training provided to budget holders in Summer 2007 and ensure appropriate budget monitoring procedures are followed	Budget Monitoring process was agreed at Management Team in March 2008. User training on the system was undertaken in summer 2008. The Council's Constitution already sets out the Directors' responsibilities with regard to Budget preparation, monitoring and control (Appendix L of Financial Regulations). Monitoring reports are now issued monthly to all budget holders.	Completed 😊
2	2	Purchase ordering procedures The Council should ensure a consistent procedure for raising and authorising purchase orders is followed across all Council Departments. This will ensure purchase orders exist and can be matched to an invoice prior to authorisation for payment. At present purchase ordering procedures vary across the Council; some departments use the PPSL electronic ordering system, some use the official order books and some use more informal methods, such as telephone or email.	See September 2008 Report – No.5	N/A

No.	Priority	Recommendation	Response	Status/ Officer/Date
3	2	Authorisation of manual journals The Council need to ensure all manual journals are reviewed, authorised and evidenced as such by an independent, senior officer either prior to posting, or retrospectively in a timely manner.	Posting of Journals is already restricted to the Finance team. In addition, all Journal transfers performed will be supported by: - an adequate system narrative - referenced working papers where appropriate - the introduction of written procedure note	Commenced 😊 Head of Finance September 09
4	2	Purchase ordering The Council should ensure that budget holders review their budgets to ensure sufficient funds are available prior to raising any orders. This review should then be evidenced on the order form, or via the PPSL system.	The Financial Regulations state that budget holders must not overspend. Approval rules are set out in the Constitution. See September 2008 Report – No.5	N/A
5	2	Budget monitoring The Council should ensure that regular meetings are held with budget holders to discuss significant variances and virements. These meetings should be minuted to ensure an audit trail is maintained for any key decisions .Our review of budget monitoring established that there is a process in place for emailing budget monitoring reports to relevant officers and that officers received training on the general ledger to allow them to access budget monitoring reports. However, budget monitoring reports were emailed infrequently between April and Dec 2007 due to staff shortages, and there was no process in place for obtaining explanations for significant variances, or virements.	Management Team agreed the Budget Monitoring process for 2008/09 onwards. Budget training was delivered in summer of 2008. It has been an ongoing process of continuation, refinement and improvement. Monthly monitoring reports are now supplemented by dialogue with budget holders and quarterly 'hot spot' reports to the Management Team and Executive Member for Corporate Resources and Finance, which highlights significant variances.	Completed 😊

No.	Priority	Recommendation	Response	Status/ Officer/Date
6	2	Bank reconciliations The Council should ensure that all bank accounts are reconciled on a monthly basis, with any reconciling items followed up and cleared in a timely manner. Our testing established that bank reconciliations were not performed between April and December 2007, although we understand an exercise has recently been completed to reconcile all the bank accounts in advance of the year end.	Processes and procedures were reviewed during 2008/09. Bank Reconciliation are now done, on a monthly basis and regarded as an essential key control.	Completed 😊
7	2	Reconciliation of Council Tax and NNDR system The Council should reconcile the Council Tax and NNDR system to general ledger on a monthly basis to ensure any posting errors are identified, and resolved, in a timely manner. The Council should also ensure that the system is fully reconciled, with all reconciling balances cleared, as part of the financial close down procedures for the current financial year	A full year-end reconciliation will be done for 2008/09 close down and thereafter on a monthly basis from April 2009.	Pending 😞 Head of Finance September 09
8	2	Council tax and NNDR exception reports The Council should monitor Blackpool BC performance to ensure that the 'Debit Audit' exception reports for both council tax and NNDR are formally reviewed on a monthly basis, and evidenced as such, to identify any unauthorised or incorrect amendments to the system.	See September 2008 Report – No.6	N/A

No.	Priority	Recommendation	Response	Status/ Officer/Date
9	3	Payroll establishment lists The Council should ensure that establishment lists are reviewed, and evidenced as such, by Heads of Service and returned to HR where they are retained as evidence of the control operating effectively. During our interim visit, the establishment lists issued during the year could not be located so we were unable to verify that this control was operating. We understand that following the implementation of 'HR Vision', this control will become automated.	See September 2008 Report – No.7	N/A
10	3	Review of payroll reconciliations The Council should ensure the reconciliations for the key payroll ledger codes are reviewed, and evidenced as such, by an independent, senior officer. Furthermore, at the time of our interim visit there were outstanding balances on the weekly payroll control account relating to services previously provided by Wyre BC. The Council need to ensure these are all cleared as part of the financial close-down procedures for the current financial year.	Reconciliations done on a monthly basis by a Senior Accountant. All outstanding balances have been cleared. Internal Audit undertook a review of payroll processing procedures undertaken by Blackpool Council and issued an action plan. This has now been implemented in its entirety.	Completed 😊

KPMG Annual Governance Report - September 2008

No.	Priority	Recommendation	Response	Status/ Officer/Date
1	1	Level of Reserves The level of available reserves remains critical with stretching saving targets to achieve 2008/09 budget. Members and Management closely monitor spending against budget on a quarterly and monthly basis respectively to promptly identify and act upon any overspends.	<p>The production and continuous monitoring of a robust MTFS ensures that the level of reserves continues to exceed the minimum recommended level. This exercise resulted in the need to identify in year savings of £377k during 2008/09 – recommended by Management Team and approved by Cabinet members.</p> <p>A balanced budget has been agreed for 2009/10, which will be assisted by an approved capitalisation directive from DCLG. As a result of this prudent approach the MTFS indicates that the level of reserves will rise steadily in future years.</p>	Completed 😊
2	2	Duplication of housing benefit debtors During the 2007/08 financial year, the Authority identified £89k of duplicated housing benefit overpayment debtors relating to prior years. Based on the exercise, duplicated housing benefit debtors relating to 2007/08 were estimated at £61k. As a result, income and debtors in 2007/08 were both reduced by £150k. We recommend that the Authority investigate how these duplicated debtors have arisen and an exercise performed to quantify and reverse the total value of duplicated debtors.	<p>An investigation has been undertaken into the reasons for the duplication of housing benefit debtors identified. Discussions with Blackpool Council are currently ongoing and the matter will be finally resolved prior to close down.</p>	Commenced 😐 Head of Finance June 09

No.	Priority	Recommendation	Response	Status/ Officer/Date
3	3	S.106 monies Management review the level of s.106 monies held and the timing of likely obligations for spending these monies to ensure any commitments are accurately disclosed.	A report to members will identify the level of monies held and future obligations.	Pending 😞 Strategic Planning Director July 09
4	3	Leases Following the introduction of International Financial Reporting Standards (IFRS) into local government accounting, all leases will need to be reviewed for compliance with IAS 17. This is likely to result in a significant number of operating leases being reclassified as finance leases. We recommended that the Authority review its existing accounting of leases and identify those that meet the qualitative characteristics of a finance lease, under IFRS.	The status of leases will be reviewed as part of the Council's IFRS implementation project plan.	Pending 😞 Head of Finance March 10
5	2	Purchase ordering procedures The Council should ensure a consistent procedure for raising and authorising purchase orders is followed. As part of this procedure, copies of purchase orders should be sent to finance where they can be matched to invoices prior to payment. At present purchase ordering procedures vary across the Council; some departments use the PPSL electronic ordering system, some use the official order books and some use more informal methods, such as telephone or email.	<p>Although we accept there are inconsistencies there are ordering processes in place. The budget holders are accountable for spend against their budgets.</p> <p>The new Civica purchase ordering module will ensure a consistent procedure for raising and authorising purchase orders. The system has been tested and a limited number of live orders have already been placed. Training for all relevant staff will be rolled out over the summer, including the need for budget holders to ensure sufficient funds are available prior to raising any orders.</p>	Commenced 😊 Head of Finance March 10

No.	Priority	Recommendation	Response	Status/ Officer/Date
6	2	Council tax and NNDR exception reports The Council should monitor Blackpool BC performance to ensure that the 'Debit Audit' exception reports for both council tax and NNDR are formally reviewed on a monthly basis, and evidenced as such, to identify any unauthorised or incorrect amendments to the system.	The control will be picked up as part of the contract monitoring. The control will be undertaken at year end otherwise is reliant upon information from the District Valuers Office.	Pending 😞 Head of Finance June 09
7	3	Payroll establishment lists The Council should ensure that establishment lists are reviewed, and evidenced as such, by Heads of Service and returned to HR where they are retained as evidence of the control operating effectively. During our interim visit, the establishment lists issued during the year could not be located so we were unable to verify that this control was operating. We understand that following the implementation of 'HR Vision', this control will become automated.	HR vision access is in place. Work with Blackpool Council has now successfully been completed to reconcile the establishment to payroll and to budget	Completed 😊

REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF CORPORATE RESOURCES	AUDIT COMMITTEE	30/04/09	8

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:
Corporate Resources & Finance (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:
 - Eleven improvements have been completed in full – numbers 2, 3, 4, 5, 6, 7, 8, 9, 10, 12,13

Of the remaining two improvements both are actively ongoing:

 - One will be the subject of a Business Improvement Review and a report to scrutiny – number 1.
 - One is ongoing as a programme of work through the scrutiny process - number 11.

Both improvements have revised completion dates.
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 any 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	30/04/09

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 saviles@fylde.gov.uk

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 – 2008/09

Reference	Issue and action	How & Who	When	Current Status (as at 31.03.09)
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><i>Develop and embed a corporate complaints system.</i></p>	AO to report to scrutiny Committee	30/9/08 01/03/09 01/08/09	Commenced Report to go to PISC on 23 July 2009 following BIR.
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><i>Include an evaluation of environmental impact in the committee reporting template.</i></p>	ADJ to ask P Welsh to amend the template	30/9/08	Completed
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><i>Develop a protocol to describe and formalise the current arrangements.</i></p>	PWW to discuss with Leader and review best practice	31/12/08 31/01/09	Completed
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><i>Include such responsibility in the job description of the Head of Legal Services and Monitoring Officer under the new management arrangements.</i></p>	PWW to make sure this is included in the MO's JD	30/9/08	Completed
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><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></p>	ADJ to identify best practice guidance and adapt it for Fylde	31/12/08 28/02/09	Completed

Reference	Issue and action	How & Who	When	Current Status (as at 31.03.09)
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><i>Include the responsibility to require ethical compliance within the job descriptions of directors under the new management arrangements.</i></p>	PWW to make sure this is included in the directors' JDs	30/9/08	Completed
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><i>Train members and officers on data quality. Put in place a data quality policy</i></p>	IC to liaise with Allan Oldfield about training	30/9/08	Completed
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><i>Include a set of values in new and newly-renewed partnership agreements. Provide guidance for agreeing such values in the Partnership Protocol.</i></p>	ADJ to meet with Tracy Scholes to discuss updating the Partnership Protocol	30/9/08 28/02/09	Completed
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><i>Extend the use of the new reporting template to other council bodies where appropriate.</i></p>	ADJ to ask P Welsh to amend the template	30/9/08	Completed
AGS10	<p>The staff appraisal system leading to personal development plans for all employees is not fully operational across all directorates.</p> <p><i>Embed the staff appraisal and personal development process throughout the Council.</i></p>	IC to check the current level of compliance with Allan Oldfield and report back	30/9/08 31/12/08	Completed

Reference	Issue and action	How & Who	When	Current Status (as at 31.03.09)
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><i>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.</i></p>	IC to make sure that revenues and benefits and benefit fraud services have a fit for purpose SLA. ADJ to make a list of other arrangements that should have an SLA	31/12/08 28/02/09 06/05/10	Commenced All SLAs & contracts for shared services (9) being reviewed by PISC. Three complete to date. Programme runs through to 2010.
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><i>Ensure key strategic actions are matched clearly with associated budgets.</i></p>	BH to take this on in the Autumn re-write of the medium-term financial strategy	30/11/08	Completed
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><i>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.</i></p>	PWW to make sure this is included in the directors' JDs	30/9/08	Completed

REPORT



REPORT OF	MEETING	DATE	ITEM NO
HEAD OF AUDIT	AUDIT COMMITTEE	30 APRIL 2009	9

INTERNAL AUDIT STRATEGY

Public Item

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

Summary

The terms of reference for the Audit Committee include approving but not directing internal audit's strategy. This report outlines the proposed Internal Audit Strategy.

Recommendation

1. The Audit Committee approves the Internal Audit Strategy

Reasons for recommendation

The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government requires that Internal Audit should have a strategy and that the Audit Committee should approve but not direct it.

Alternative options considered and rejected

No other course of action is advocated at this time.

Cabinet Portfolio

The item falls within the following executive portfolio:
Corporate Resources & Finance (Councillor Roger Small)

Report

1. The CIPFA Code of Practice requires the Internal Audit Service to have a Strategy, which is intended to be a high level statement of how the internal audit service will be delivered in accordance with its Terms of Reference. It should also communicate the contribution that Internal Audit makes to the Council.
2. It is important to keep the strategy under review and up to date. This proposed strategy replaces the previous document and reflects the requirements of the Code.
3. Specifically the Strategy includes the following sections:
 - ♦ Criteria for Determining the Audit Opinion
 - ♦ Strategic Aims
 - ♦ Competency and Planning
 - ♦ Approach
 - ♦ Use of Resources
 - ♦ Information and Communication Technology
 - ♦ Special Investigations
 - ♦ Partnerships
 - ♦ Relationships
 - ♦ Independence
 - ♦ Method of Service Provision
 - ♦ Skills and Resource Requirements
 - ♦ Reporting
 - ♦ Quality Assurance
 - ♦ Review of Effectiveness
4. The Internal Audit Strategy is attached as an appendix.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	

List of Background Papers		
Name of document	Date	Where available for inspection
Internal Audit Strategy		All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email saviles@fylde.gov.uk

Attached documents

1. Internal Audit Strategy

IMPLICATIONS	
Finance	None
Legal	None
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

INTERNAL AUDIT STRATEGY

Introduction

1. The Council's Internal Audit service is provided by the Internal Audit Team within the Corporate Resources Directorate. The CIPFA *Code of Practice for Internal Audit 2006* provides the following definition:

'Internal audit is an assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance by evaluating their effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources'.

2. Internal Audit should be sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgments and recommendations. Furthermore Internal Audit operates in accordance with the four main ethical principles: integrity, objectivity, competence and confidentiality expressed more comprehensively in the Internal Audit Code of Ethics.

3. This Internal Audit Strategy is a high level statement about how the Internal Audit service will be delivered. It stands in conjunction with the Internal Audit Terms of Reference and links to organisational objectives and priorities. The strategy is approved, but not directed by, the Audit Committee.

4. This strategy covers the approach to be undertaken by the Internal Audit Service. It will be reviewed and revised annually to reflect changing developments and circumstances. The strategy will enable the service to be provided in a way which will facilitate:

- ♦ the identification of audit resources required to deliver an audit service which meets the requirements of the CIPFA Code of Audit Practice (2006) and other relevant professional standards;
- ♦ the provision of assurance and an annual internal audit opinion to the Chief Executive and Audit Committee. The provision of assurance will be in compliance with professional guidelines and in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations (Amendment)(England) 2006;
- ♦ support for the section 151 Officer in fulfilling the statutory responsibilities for ensuring proper administration of the Council's financial affairs under the 1972 Local Government Act;
- ♦ support for the Audit Committee in fulfilling their governance responsibilities as detailed in the Council's Constitution, and the Committee's Terms of Reference;

- ♦ audit of the Council's risk management, control and governance processes through periodic audit reviews in a way which affords suitable priority to the Council's objectives and risks;
- ♦ effective co-operation with the external auditor and other relevant review bodies;
- ♦ provision of both assurance and consultancy services by Internal Audit to Council management

Criteria for determining the Audit Opinion

5. The main objective of the Internal Audit Service is to provide assurance by forming and evidencing an opinion on the organisation's risk management, internal control environment and governance. To ensure the opinion formed is adequately supported the Internal Audit Service will aim to achieve a minimum of 90% of the Annual Audit Plan as revised.

6. To determine the Audit Opinion the Internal Audit Service will review, appraise and report upon:

- ♦ the adequacy of risk identification, assessment and mitigation;
- ♦ the adequacy and application of internal controls;
- ♦ the extent of compliance with relevant legislation, organisational policies, plans and procedures;
- ♦ the extent to which the organisation's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, inefficient administration and poor value for money;
- ♦ the quality and integrity of financial and other management information utilised within the organisation.

7. In forming an opinion the Head of Internal Audit will give due regard to the results of work undertaken by the Internal Audit Team in the relevant year including planned work, ad hoc projects and investigations. Reliance will also be placed on the work of external auditors and inspectors.

8. When presenting the Internal Audit Opinion the Head of Internal Audit will:

- ♦ disclose any qualification to that opinion, together with the reasons for the qualification;
- ♦ present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others;
- ♦ draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement;
- ♦ compare the work actually undertaken to the work that was planned and summarise the performance of the Internal Audit Service;
- ♦ comment on the compliance with the CIPFA Code of Practice for Internal Audit, by completing the CIPFA self assessment matrix

9. Assurance is required by all participants including the local community. However to fulfil statutory responsibilities, formal assurance should be provided to management and

'those charged with governance', which within Fylde Borough Council will be through the Audit Committee.

Strategic Aims

10. Through the work it undertakes Internal Audit supports the Council in its stated vision which sets out the Council's focus over the coming years. That vision is '*To establish Fylde Borough Council as a high performing local authority*'.

11. To deliver this vision, the Council has four corporate objectives as follows:

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

- ♦ The promotion and enhancement the natural and 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

12. The corporate plan goes on to outline the priority tasks required to deliver the corporate objectives:

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

13. In order to support the Council in its vision, to achieve its mission and to support the preparation of the Annual Governance Statement and the annual audit opinion, Internal Audit will form and evidence an opinion on the organisation's risk management, control environment and governance.

14. Internal Audit will provide the Director of Corporate Resources, the Section 151 Officer and the Audit Committee with reports and analysis of the adequacy and effectiveness of internal control within each Council system or area of activity under review. Reviews will be undertaken professionally with effective recommendations made aimed at improving systems that support the Council's organisational aims.

15. The Head of Internal Audit will provide an annual report to the Audit Committee that gives an opinion of the overall adequacy and effectiveness of the Council's internal control environment and compliance with the Council's Code of Corporate Governance.

Competency and Planning

16. All internal audit staff will make themselves familiar with the strategies, policies and procedures of the Council, in particular the Council's Constitution and Code of Corporate Governance, Financial Regulations, Contract Procedure Rules, the IT Security Policy and relevant Human Resources Policies and Procedures.

17. Audit planning will be risk based and demonstrate a link to strategic and operational risk assessments as far as possible. However, although a risk based approach to planning has been adopted there remain auditable areas where a cyclical approach continues to be appropriate.

18. The annual audit plan will be agreed with the Audit Committee prior to any work being undertaken. The annual audit plan will be reviewed and updated on an ongoing basis to address emerging risks and any significant amendments will be agreed with the Audit Committee.

19. Audit reviews carried out will comply with the CIPFA Code of Practice for Internal Audit (2006) and the Head of Internal Audit will review all files to ensure consistency before issue.

20. Internal Audit staff will be appropriately qualified and/or experienced. Adequate training will be offered to staff to close any identified skills gap through the staff appraisal procedure. Allocation of audit tasks will be in line with staff qualifications and experience.

21. All audit staff will ensure they conduct themselves in accordance with the Council's Code of Conduct and relevant professional standards and the Internal Audit Code of Ethics.

Approach

22. Internal Audit will undertake audits at both strategic and operational level. Strategic level audits address how well internal control is planned and directed while operational level audits consider how well control is executed, i.e. how internal control operates in practice. Consideration will be given to any proposed change within the Council during audit planning.

23. Internal Audit will also rely on the work of other relevant bodies, for example the Council's external auditors, the Audit Commission and other relevant professional inspectorates. The Head of Internal Audit will work proactively with the external auditor to ensure audit resources available are used in the most efficient and effective manner.

Use of Resources

24. The work of the Internal Audit Team aims to support the Council in the achievement of consistently high results arising from external inspections, in particular the Use of Resources review.

25. To support this Internal Audit will:

- ♦ be alert to the requirements of Key Lines of Enquiry when undertaking their work and report on these accordingly;
- ♦ provide advice and support as and when required either during or in preparation for such inspections

26. The Head of Internal Audit is a member of the Use of Resources Group and as such is able to contribute to this process.

Information and Communication Technology

27. The Internal Audit team provides the key skills required to deliver the audit plan but this is supplemented by the use of external contractors to provide specialist IT skills. This is the most cost effective way to purchase those skills required to deliver the computer audit aspect of the audit plan.

28. In addition to the programme of ICT audit and on an ongoing basis, auditors will be alert to the possibility of risk related to the use of information and communication technology such as IT Security risk, including resilience and continuity, when undertaking any planned or ad hoc audit work.

Special Investigations

29. Internal Audit is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations, special projects and consultancy work as necessary and as requested by management.

30. The prevention and detection of fraud and corruption is ultimately the responsibility of management. However, the Internal Audit team is aware of its role in this area and will be alert to the risk of fraud and corruption when undertaking its work. To this effect Internal Audit will report to management any detected fraud and corruption identified during its work; or any areas where such risks exist.

31. Investigations of suspected fraud and irregularity will be carried out in accordance with Council procedures and relevant good practice/legislation. Reference should be made to the Council's Anti-Fraud and Corruption Policy and Strategy, Internal Investigations Procedure and, where applicable, the Whistleblowing Policy.

Partnerships

32. Internal Audit will carry out a regular review of partnership arrangements within the Council. Strategic partnerships are key to the delivery of some fundamental Council services. Thus partnership agreements will form part of the audit scope.

33. Audit work undertaken will review processes in place to ensure that the governance arrangements of partnerships are sound and provide for a clear definition of responsibilities. It will further seek to establish that clear arrangements exist to determine rights of access to staff, systems information and the governing body of relevant partnerships.

Relationships

34. Internal Audit recognises that good working relationships and effective communications are fundamental to the delivery of an effective internal audit service. As such Internal Audit will seek to work and co-operate with all relevant stakeholders.

35. The Head of Internal Audit will consult with management during audit planning, and as far as possible plan the timing of audit work in conjunction with service managers.

36. The Head of Internal Audit will have direct access to the Chair of the Audit Committee and will be available at his/her request. The Head of Internal Audit will also attend regular meetings of the Committee and assist the Committee in meeting its terms of reference. In addition, the Head of Internal Audit will participate in the committee's review of its own remit and effectiveness.

37. Regular consultations will be held between Internal and External Audit to achieve the most effective audit coverage and to avoid duplication of efforts. As a minimum the Head of Internal Audit will meet with the External Auditor to discuss and co-ordinate the respective annual audit plans annually.

38. With regard to other regulators and inspectors the Head of Internal Audit will seek to establish a dialogue with such agencies with a view to improving understanding and exchanging relevant information.

39. The Head of Internal Audit will also maintain dialogue and networking with other professionals both within Lancashire and relevant professional bodies.

Independence

40. Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements. Internal auditors have no direct operational responsibilities.

Method of Service Provision

41. The Council currently has an in-house provision of the service. The Team is line managed by the Head of Internal Audit and formally reports to the Audit Committee. In addition to the Head of Internal Audit It consists of one Senior Auditor, an Auditor and an Audit Assistant. The Team is also supplemented, when necessary, by external contractors to meet technical ICT audit requirements.

Skills and Resource Requirements

42. In order to deliver the Internal Audit Strategy and the Annual Audit Plan, the appropriate resources and skills will be required. Internal Audit staff will be appropriately qualified and have suitable audit experience. Appropriate professional qualifications are CCAB, IIA or AAT.

43. In line with the strategic aims above, the Council's staff appraisal scheme and Personal Development Programme will be utilised to ensure the identification of training and development needs and suitable means of addressing these. Personal development plans will be prepared for all audit staff following the skills gap analysis.

Reporting

44. Following completion of audit fieldwork a formal closure meeting will be provided to the relevant auditee. The closure meeting will include the agreement of findings, conclusions and recommendations. The audit report will be issued electronically within 15 working days of the feedback meeting to the appropriate service manager.

45. The internal controls in each audit area will be assessed and given a level of assurance. The levels of assurance will be as follows:

Level	Evaluation Option	Testing Option
<i>Full assurance</i>	There is a sound system of internal control designed to achieve the system objectives	The controls are being consistently applied
<i>Substantial assurance</i>	While there is a basically sound system of internal control, there are some minor weaknesses, which put some of the system objectives at risk	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk
<i>Moderate assurance</i>	While there is a basically sound system of internal control, there are some more significant/serious weaknesses, which put some of the system objectives at risk	There is evidence that the level of non-compliance with some of the controls is likely to put some of the system objectives at risk
<i>Limited assurance</i>	Weaknesses in the system of internal controls are such as to put the system objectives at risk	The level of non-compliance puts the system objectives at risk
<i>No assurance</i>	Control is generally weak leaving the system open to significant error or abuse	Significant non-compliance with basic controls leaves the system open to error or abuse

46. The reports for any audit areas that receive no assurance will be submitted both to the Management Team and the Audit Committee for consideration.

47. It will be the responsibility of management to ensure that all agreed actions arising from an audit report are implemented in accordance with the timetable they have agreed. Where material weaknesses are identified through audit work which have not been actioned procedures allow for escalation to Management Team and the Audit Committee.

48. The implementation of audit recommendations will be further monitored via the Escendency the database of action plan recommendations. A summary of the information from Escendency will be reported to the Audit Committee twice yearly and will highlight the status of recommendations.

49. The Head of Internal Audit will report interim progress on the annual audit plan and any emerging issues to the Audit Committee. An annual audit report will also be produced and presented to the Audit Committee containing the formal audit opinion, which will be provided no later than the date on which the Council's annual accounts are approved. The annual report will at least contain the following information:

- ♦ the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's internal control environment. This shall include any qualifications,

- together with the reasons for the qualification, and any issues that are particularly relevant to the preparation of the Annual Governance statement;
- ♦ a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- ♦ any areas of significant risk to the Council;
- ♦ a summary of any fraud or suspected fraud investigated;
- ♦ performance for the reporting period including a comparison of the work actually undertaken against the work planned and achievement of any performance measures;
- ♦ details of any external quality assurance or review work undertaken on the Internal Audit Service and compliance with the CIPFA Code of Practice;
- ♦ the outcome of the review of the effectiveness of Internal Audit

Quality Assurance

50. Internal Audit employs quality assurance in order to ensure that the Director of Corporate Resources, the Section 151 Officer and the Audit Committee can have confidence in the Internal Audit team.

File Review

51. All files are subject to review by the Head of Internal Audit before feedback is provided to the auditee. This review ensures that work undertaken complies with the standards defined in the CIPFA Code of Practice.

Quality Assurance (QA) Reviews

52. In addition to ongoing review of the quality of audits undertaken and performance against LPIs an annual assessment of the effectiveness of Internal Audit is undertaken to comply with the Accounts and Audit Regulations, the CIPFA Code of Practice and associated best practice. This review is undertaken jointly by the Director of Corporate Resources and the Head of Internal Audit using the standard self assessment template in compliance with professional guidance. The result of this review, along with any service improvement plans, is reported to the Audit Committee.

53. In respect of external QA review, Internal Audit's work on key financial systems is reviewed annually by the Council's external auditors. In addition to this a full review of Internal Audit is periodically undertaken by external audit.

54. Action plans will be developed where relevant to follow up issues identified in previous quality assurance reviews with timescales defined. Such plans will be regularly monitored via one to one and team briefings.

Requirements for Continuous Improvement

55. The Internal Audit team is continuously seeking to improve the service it provides. The Head of Internal Audit and members of the Internal Audit team shall seek to ensure continuous improvement of the service through an annual review of its own procedures and arrangements with a particular emphasis on maximising performance levels.

56. The Head of Internal Audit attends the Lancashire Audit Group – the Group of all Heads of Internal Audit from Lancashire local authorities. These forums will be utilised to share good practice, develop consistent working practices where relevant and to undertake benchmarking via standardised, agreed KPIs.

57. The training and development needs of Internal Audit staff will be identified and addressed using the staff appraisal mechanism where any skills gaps can be highlighted and addressed.

Review of Internal Audit Effectiveness

58. In accordance with the Accounts and Audit Regulations a review of Internal Audit Effectiveness will be carried out on an annual basis. With regard to proper practices in relation to internal audit, DCLG guidance identifies the CIPFA Code of Practice for Internal Audit. This Code includes a checklist which is an essential tool for assessing the effectiveness of internal audit.

59. In addition, the Code defines various aspirational effectiveness criteria for internal audit. An assessment of the position of the Internal Audit team in respect of these criteria will also form part of the annual effectiveness review. The Code defines the attributes of an effective internal audit, as being one which should 'aspire to' the following:

- ♦ understand the whole organisation, its needs and objectives;
- ♦ understand its position in respect to the organisation's other sources of assurance and plan its work accordingly;
- ♦ be seen as a catalyst for change at the heart of the organisation;
- ♦ add value and assist the organisation in achieving its objectives;
- ♦ be forward looking – knowing where the organisation wishes to be;
- ♦ be innovative and challenging;
- ♦ help to shape the ethics and standards of the organisation;
- ♦ ensure the right resources are available;
- ♦ share best practice with other auditors;
- ♦ seek opportunities for joint working with other organisations' auditors

60. The findings of this review will be presented to the Audit Committee, as part of the wider consideration of the Council's system of internal control.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
HEAD OF AUDIT	AUDIT COMMITTEE	30 APRIL 2009	10

INTERNAL AUDIT PLAN 2009/10

Public Item

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

Summary

The terms of reference for the Audit Committee include approving but not directing internal audit's plan. This report outlines the Internal Audit Plan for the financial year 2009/10 and briefly describes the methodology used in its production.

Recommendation

1. The Committee approves the Annual Internal Audit Plan 2009-10.

Reasons for Recommendation

The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government requires that Internal Audit should have a plan and that the Audit Committee should approve but not direct it.

Alternative options considered and rejected

No other course of action is advocated at this time.

Cabinet Portfolio

The item falls within the following executive portfolio[s]:
Corporate Resources & Finance (Councillor Roger Small)

Report

1. Background

1.1 The requirement to produce a plan of work is described in the CIPFA Code of Practice for Internal Audit in Local Government. The Accounts and Audit Regulations 2003 include the statutory requirement for the provision of an adequate and effective internal audit function and the regulations specify that compliance with the CIPFA code is required to demonstrate an appropriate standard of audit provision.

1.2 Consequently in order to comply with best professional practice Internal Audit produces an annual programme of work or audit plan, which outlines the likely areas of activity for the coming year. The annual plan:

- ♦ assists the Section 151 Officer in discharging his statutory responsibilities in respect of the proper administration of the Council's financial affairs;
- ♦ optimises the use of available audit time;
- ♦ provides a structured approach to audit work;
- ♦ identifies the risks regarding the Council's achievement of its objectives and directs audit resources accordingly;
- ♦ ensures the appropriate evidence is collected in support of a reliable opinion on the Council's systems of internal control, which will feed into the Annual Governance Statement;
- ♦ acts as a yardstick against which internal audit's actual performance can be measured.

1.3 Moreover, approval and support of the plan demonstrates the Council's commitment to securing effective systems of internal control, risk management and governance, which are essential foundations of being a well managed Council.

1.4 The programme of work has been compiled following a risk assessment of the Council's systems and following extensive consultation with a number of key stakeholders including the following:

- ♦ Section 151 Officer
- ♦ Director of Corporate Resources
- ♦ Directors of Service (individually)

1.5 This report presents the Internal Audit Plan for 2009/10. A detailed copy of the plan is attached as an appendix to this report.

2 Risk Assessment

2.1 In formulating this year's plan each auditable area has been risk scored and ranked relative to all the other identified risk areas. This assessment of in-year risk is considered to be more appropriate than a purely cyclical approach. It also has the effect of taking a wider view of risk than the more traditional approach of assessing primarily financial risk. The consideration of non-financial risk is also consistent with the requirement for the authority to produce an annual governance statement.

2.2 A risk assessment model is employed to score the relative risks of each of the identified systems in the "audit universe". The audit universe consists of all the potential auditable areas identified either by Internal Audit or other stakeholders and includes

systems or other activity identified from risk registers, where possible. The scoring methodology requires that a number of risk attributes are assessed these include the following:

- ♦ Materiality - the relative value of funds flowing through a system or in the case of non-financial systems the comparative impact on service delivery and the control environment
- ♦ Business Risk - the extent to which the system is perceived to be well managed
- ♦ Assurance - a factor to reflect the latest available assurance rating awarded by Internal Audit following an audit review of the area
- ♦ Fraud - the extent to which the area is exposed to potential fraud and abuse
- ♦ Time – a factor to represent the time since the area was last subject to audit

2.3 The risk scores are statistically weighted and provide a level of relative risk for each system. The relative risk determines the likelihood of inclusion into the plan. In addition, where a stakeholder raises particular concerns in respect of a particular system Internal Audit will endeavour to include the review in the plan.

3 Assurance Work

3.1 Although Internal Audit has adopted a risk based approach to determine relative risk there are areas where a cyclical approach is still required. Internal Audit is also subject to other pressures to perform work and therefore there are some elements of the plan that are not assessed on an in-year basis.

3.2 In particular this relates to the audit of Main Financial Systems (payroll, creditors, debtors, council tax, business rates, housing benefit etc.). The audit of the Council's Main Financial Systems is undertaken on a cyclical basis and this approach is adopted in part to assist external audit who place reliance on Internal Audit's work to 'sign off' the Council's statutory accounts.

3.3 The main systems are audited on the basis of reviews of centralised systems and directorate elements of these systems covered on a sample basis. These reviews are also rotated between systems reviews and transaction testing audits.

4 Fraud & Corruption

4.1 The plan includes a significant element to cover counter fraud work. This section is broken down into reactive fraud and proactive counter fraud measures. Reactive work includes advice to managers and a provision of time for conducting investigations. Obviously this element can only be an estimate of the likely time to be spent on fraud investigations. The proactive counter fraud work is made up of time to enhance the council's counter-fraud measures over and above any issues arising from routine systems reviews.

4.2 Internal Audit also co-ordinates the Authority's involvement in the Audit Commission National Fraud Initiative and investigates certain data matches involving employees or members.

5 Other Elements

5.1 In addition to those activities identified as a result of the above process some other areas are also reviewed annually - these include corporate governance and performance management activities. These topics are not subject to the risk assessment process.

5.2 It should also be emphasised that within the dynamic environment that the Council operates, business risks are prone to change and the plan is not intended to be regarded as rigid. Areas for review can and will emerge in-year.

5.3 Consequently a contingency provision has also been included in the plan to cover changes in circumstances after the completion of the risk assessment, such as specific management requests for audit, ad hoc work, on-demand tasks and special investigations. This recognises that the plan, whilst produced on an acknowledged risk basis, remains a flexible document.

5.4 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Time has been included in the plan to follow up on all completed reviews where implementation remains ongoing. Other in-year follow up reviews may be required for audit work undertaken during the 2009/2010 and the days to undertake these will be taken from contingency.

5.5 There were a number of audit reviews that were ongoing at the end of March 2009 and the days to complete these are also included in the current year's plan.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	

List of Background Papers		
Name of document	Date	Where available for inspection
Internal Audit Plan 2009-10		All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email saviles@fylde.gov.uk

Attached documents

1. Internal Audit Plan 2009-10

IMPLICATIONS	
Finance	None
Legal	None
Community Safety	None
Human Rights and Equalities	None

Sustainability	None
Health & Safety and Risk Management	None

FYLDE BOROUGH Council - Internal Audit Plan 2009/2010

Main Financial Systems	Days	Sub Totals
Cash Collection	18	
Council Tax/NNDR (Combined)	18	
Creditors	12	
Housing Benefit/CTax Benefit	25	
Main Accounting	12	
Payroll	18	
Sundry Debtors	12	
Treasury Management	18	
Slippage from 2008/09	19	152
Strategic Risks		
Asset Management	20	
Contract Procedures & Tendering	20	
Purchasing	20	60
Operational Risks		
Petty Cash & Floats	3	
Trade Waste (Fylde & Wyre areas)	25	
Follow Up Work	6	34
Corporate Governance		
Annual Governance Statement	15	
Audit Committee – Review of Effectiveness	2	
Internal Audit – Review of Effectiveness	4	
Use of Resources - KLOE	9	
Follow Up Work	1	
Slippage from 2008/09	2	33
Performance Management		
NI Data Quality Review	10	10
Computer Audit		
ICT Audit Liaison/Assistance	12	
Follow Up Work	4	16
Anti-Fraud		
Anti-Fraud & Corruption Strategy	15	
Fraud & Corruption Modules	8	
National Fraud Initiative	5	
Prevention of Fraud & Corruption	8	
Follow Up Work	4	40
Consultancy & Advice		
General Consultancy/Advice	12	
IA Communication	4	16
Other Audit Work		
Authorisation Schedules	5	
Cancelled/Replacement Cheques	17	22

Reactive Work		
Emerging Risks	40	
Special Investigations	40	80
TOTAL AUDIT WORK	463	463
Audit Team		
Management/Planning/Administration	120	120
Non-Audit Work		
Benefit Fraud Service Monitoring/Liaison	6	
Controlled Stationery	15	
Corporate & Democratic Core	19	
Other	12	52
TOTAL DAYS ALLOCATED	635	635

REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF CORPORATE RESOURCES	AUDIT COMMITTEE	30/04/09	11

AUDIT COMMITTEE WORK PLAN 2009-10

Public Item

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

Summary

The report presents the proposed work plan for the Audit Committee during 2009-10.

Recommendation

The Committee considers and comments on its proposed work plan for 2009/10.

Reasons for recommendation

A committee work plan will enable internal officers and external auditors to plan their work and for the committee to receive timely reports on Audit matters.

Alternative options considered and rejected

Not to agree a planned programme of work would detract from the efficiency and effectiveness of the work of the Audit Committee.

Cabinet Portfolio

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

Report

1. In response to a request by the Chairman of the Audit Committee, a draft proposed audit committee work plan has been produced for 2009-10. This work plan will be updated after each meeting and reported to the following meeting. This will assist members of the committee, officers of the council and our external auditors in planning the work of the committee within realistic timescales and within the resources available.
2. The proposed work programme for the Audit Committee covering the period 2009-10 is appended to this report.
3. The committee is asked to consider and if appropriate add to or amend the work programme before final approval.

Report Author	Tel	Date	Doc ID
Dave Joy	(01253) 658413	30/04/09	Auditworkplan09/10

List of Background Papers		
Name of document	Date	Where available for inspection
None.		

Attached documents

1. Proposed Audit Committee Work Plan 2009-10.

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

Audit Committee Work Plan

Meeting Date	Report	Objective of Report	Responsible Person/Organisation
25 June 2009	Internal Audit Annual Report	To receive the annual report of the Head of Internal Audit into activity for the previous financial year	Head of Internal Audit, Fylde Borough Council
	Risk Management Annual Report	To receive the annual report on corporate risk management To approve the RM Strategy and the Strategic Risk Register for 2009/10	Risk Management and Insurance Officer Fylde Borough Council
	Annual Governance Statement	Adoption of the Annual Governance Statement and associated action plan	Head of Legal Services Fylde Borough Council
	Financial Management Review	To receive the financial management review of the council's external auditors	Richard Foster KPMG
	Data Quality Audit	To approve an action plan based on the KPMG Data Quality Review	Director of Performance & Business Improvement Fylde Borough Council
	Audit Committee – Effectiveness Review	To consider the result of the self assessment exercise and any improvement actions proposed	Head of Internal Audit, Fylde Borough Council

	Internal Audit – Effectiveness Review	To consider the result of the self assessment exercise and any improvement actions proposed	Head of Internal Audit, Fylde Borough Council
	Audit & Inspection Work Programme 2009/10	To consider the Audit & Inspection Work Programme for 2009/10 as proposed by KPMG.	Richard Foster KPMG
30 June 2009	Statement of Accounts	To receive the Statement of Accounts	Section 151 Officer
29 September 2009	ISA 206 Governance Report	To receive the governance report from the Council's External Auditors	Richard Foster KPMG
	Use of Resources Report	To receive the Use of Resources report from the Council's External Auditors	Richard Foster KPMG
28 January 2010	Internal Audit Interim Report	Update on internal audit issues 2009/10	Head of Internal Audit, Fylde Borough Council
	Risk Management interim update	To review progress of the strategic risk register 2009 - 2010 action plan	Risk Management and Insurance Officer Fylde Borough Council
	Annual Governance Statement	To review progress of Annual Governance Statement Improvement Plan 2009/10	Head of Legal Services Fylde Borough Council

REPORT



REPORT OF	MEETING	DATE	ITEM NO
HEAD OF AUDIT	AUDIT COMMITTEE	30 APRIL 2009	12

EFFECTIVENESS OF THE AUDIT COMMITTEE

Public Item

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

Summary

The report highlights the need for reviewing the effectiveness of the Audit Committee by comparing existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

Recommendations

1. The Chair and Vice Chair of the Committee undertake an initial self assessment of the Audit Committee against the checklist provided by the CIPFA better governance forum in their publication 'A Toolkit for Local Authority Audit Committees'.
2. The self assessment to be reported to the next meeting of the Audit Committee with recommendations for any improvements.
3. The self assessment be re-performed annually thereafter

Reasons for recommendations

Completion of CIPFA's Audit Committee Self-Assessment Checklist will provide an indication as to the effectiveness of the committee and permit any divergence from the standard to be addressed.

Alternative options considered and rejected

No other course of action is advocated at this time.

Cabinet Portfolio

The item falls within the following executive portfolio[s]:
Corporate Resources & Finance (Councillor Roger Small)

Report

1. CIPFA's publication – "A Toolkit for Local Authority Audit Committees" essentially builds on best practice guidance contained within the previously authoritative document produced by CIPFA entitled "Audit Committees – Practical Guidance for Local Authorities". The earlier publication was originally used to facilitate the development of the Council's Audit Committee.
2. In view of the fact that the Audit Committee has been operating for a number of years and there have been several changes in membership of the Committee, it is now opportune to revisit operational arrangements to check whether they remain sufficiently comprehensive or would benefit from further enhancement, in light of the guidance available.
3. The Audit Committee is a key source of corporate governance that receives and considers independent assurance on the adequacy of the internal control environment, risk management arrangements, financial management and related matters. It thus follows that a re-examination of the role and activities of the Audit Committee will help to support the Council's corporate objective of delivering high quality services.
4. Without conducting the proposed self-assessment exercise, there is a risk that the Accounts and Audit Committee may not be as fully informed as it should be, and thus, not operating in an effective, challenging manner, and this could have an adverse impact on the Council's 'Use of Resources' rating.
5. It is suggested that the Chair and Vice Chair of the Audit Committee carry out the initial review using the Toolkit, assisted by the Head of Internal Audit. The result of the effectiveness review will then be reported to the committee at the next opportunity. The review should then be re-performed annually to ensure the effectiveness of the committee is maintained.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	

List of Background Papers		
Name of document	Date	Where available for inspection
A Toolkit for Local Authority Audit Committees (CIPFA)		All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email saviles@fylde.gov.uk

Attached documents

1. Audit Committee Checklist.

IMPLICATIONS	
Finance	None
Legal	None
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

AUDIT COMMITTEE – SELF ASSESSMENT CHECKLIST

ISSUE	YES	NO	N/A	Comments
Terms of Reference				
Have the committee's terms of reference been approved by full Council?				
Do the terms of reference follow the CIPFA model?				
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme of work?				
Is the work of internal audit reviewed regularly?				
Are summaries of quality questionnaires from service managers reviewed?				
Is the annual report, from the Head of Audit, presented to the committee?				
External Audit Process				
Are the reports on the work of external audit and other inspection agencies presented to the committee?				
Does the committee input into the external audit programme?				
Does the committee ensure that officers are acting on and monitoring action taken to implement external audit recommendations?				
Governance, Risk, Fraud				
Does the committee take a role in overseeing: <ul style="list-style-type: none"> • annual governance report • risk management strategies • anti-fraud arrangements • whistleblowing policy? 				
Membership				
Has the membership of the committee been formally agreed and a quorum set?				
Is the Chair free of executive or scrutiny functions?				

ISSUE	YES	NO	N/A	Comments
Are members sufficiently independent of the other key committees of the Council?				
Have all members' skills and experiences been assessed and training given for identified gaps?				
Can the committee access other committees as necessary?				
Meetings				
Does the committee meet regularly?				
Are separate, private meetings held with the external auditor and the internal auditor?				
Are meetings free and open without political influences being displayed?				
Are decisions reached promptly?				
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?				
Does the committee have the benefit of appropriate officers at its meetings?				
Training				
Is induction training provided to members?				
Is more advanced training available as required?				
Administration				
Does the authority's s151 officer or deputy attend all meetings?				
Are the key officers available to support the committee?				

Audit Committee



Date	Thursday 29 th January 2009
Venue	Town Hall, St. Annes
Committee members	Councillor John Singleton (Chairman) Councillor Linda Nulty (Vice Chairman) Councillors Ben Aitken, Fabian Craig Wilson, Cheryl Little, Keith Hyde, Elizabeth Oades, Louis Rigby
Other Councillors	
Officers	Allan Oldfield, Savile Sykes, Andrew Wilsdon, Hazel Wood
Other Attendees	Leanne Burnett (KPMG), Richard Foster (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 30 September 2008 as a correct record for signature by the chairman.

3. Substitute members

No substitutions were reported.

3A. Data Quality Audit

Leanne Burnett and Richard Foster from KPMG, the Council's external auditors introduced the final report on the Data Quality arrangements that are in place at Fylde Council after carrying out the inspection.

RESOLVED:

That the committee recognise and commend the improved status of the Data Quality arrangements at Fylde from 'adequate' to 'performing well'.

That the committee accepts the recommendations on page 6 of the KPMG report and instructs the Director of Performance and Business Improvement to incorporate the actions into an Action Plan with clear time scales and responsibility for delivery.

That KPMG report back to the Audit committee at the June meeting with further updates.

4. Strategic Risk 2008-2009

Andrew Wilsdon presented a report which summarised the work undertaken in completing the Strategic Risk Actions contained in the 2008/2009 Risk Register.

RESOLVED:

That the committee notes the progress made on completing the Strategic Risk Actions for 2008-2009.

5. Internal Audit interim report 2008-09

Savile Sykes (Head of internal Audit) reported that at the Audit committee meeting in April 2008 the committee endorsed the Internal Audit Annual Plan for 2008/09. Mr Sykes presented the interim report which summarised the work undertaken by internal audit from April to December 2008 and the performance information for the same period. For those systems reviewed to 31st December the average assurance score was 2.9 on the scale of 1 to 5 equating to moderate assurance. Nine important internal control weaknesses were brought to the attention of management during the first half of the year. The overall percentage of agreed recommendations that were implemented by managers was 82%. Mr Sykes also outlined factors affecting the achievement of the annual plan and set out a number of amendments to reflect the current situation.

Following discussion the Committee RESOLVED:

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.
3. That the Chairman of the Audit Committee writes a letter to the Chief Executive expressing the committee's extreme disappointment that the high risk issues in relation to Treasury Management had not been addressed although they were long outstanding and that the implementation rate for agreed recommendations had failed to reach the Committee's 95% target.

6. Review of Financial Planning and Management

Richard Foster from KPMG reported to the committee the draft terms of reference for their review of Financial Planning and Management. These took into account KPMG's review of the authority's Medium Term Financial Strategy, which underpinned the work proposed.

RESOLVED: That the committee notes the terms of reference for the review of Financial Planning and Management and that KPMG report back to the committee in June.

7. Corporate Governance - Improvement Plan

Savile Sykes (Head of internal Audit) advised the committee that they were charged with adopting the Annual Governance Statement and monitoring the progress in fulfilling the Corporate Governance Improvement Plan. Mr Sykes updated the committee on the present position of the Improvement plan including the 13 actions to secure improved corporate governance. Nine improvements had been completed in full and of the remaining four, two were currently in progress. Revised implementation dates had been established for all four actions not yet completed.

Following discussion the Committee RESOLVED:

1. To record their disappointment with regard to the latest position on the outstanding items currently included in the Corporate Governance Improvement Plan 2008/09.
2. That the committee request all outstanding items to be addressed urgently and that the Chief Executive to report back at the Audit committee's next meeting with an update.

At the conclusion of the meeting members asked that the Improvement plan be formatted to black and white rather than coloured copies previously received.

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