

## Audit Committee



Date	26 October 2006
Venue	Town Hall, St Annes
Committee members	Keith Hyde (Chairman) Fabian Wilson (Vice Chairman) Christine Akeroyd, Eric Bamber, John Longstaff, Simon Renwick
Other Councillors	-
Officers	Peter Welsh, Savile Sykes.

### 1. Appointment of chairman and vice chairman

RESOLVED- That for this meeting councillor Keith Hyde be appointed chairman and councillor Fabian Wilson appointed as vice-chairman.

### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Sub-committee meeting held on 22 June 2006 as a correct record for signature by the chairman.

### 3. 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.

### 4. Substitute members

The following substitution was reported under council procedure rule 22.3:

Councillor Simon Renwick for councillor Deborah Clarke.

### 5. Internal audit interim report 2006/07

Savile Sykes (Head of Internal Audit) presented the interim audit report that provided the committee with the opportunity to review the audit service provided to the Council during the first half of the audit year.

In the period from 1st April to 30th September 2006 eight final reports had been completed and action plans agreed.

There were three important internal control weaknesses brought to the attention of the

Section 151 Officer during the first half of the year which were:

- Failure to complete a monthly cash to bank reconciliation during the course of the 2005/06 financial year (a year-end reconciliation was achieved)
- Failure to agree a Service Level Agreement with Blackpool BC for managing the backup and recovery arrangements of the Council Tax, Business Rates and Housing Benefits systems
- Weaknesses in internal cash transfer procedures

The cash transfer process was subsequently upgraded. Meanwhile, for the remaining two issues, dates for remedial actions to be in place had been agreed with management.

Five follow-up reviews had also been completed, with the overall implementation rate down from 72% during 2005/06 to 64%.

Non-implementation of audit recommendations undermined the adequacy of the control environment, although for the follow-up audits undertaken there were no high priority recommendations involved.

There was a requirement for the Council to review annually the effectiveness of its system of internal control and to include a statement on internal control with the Council's published accounts. Internal Audit facilitated this process by developing a corporate assurance framework focussed on the key control issues as stated in CIFPA guidance. Management Team and Internal Audit had identified several enhancements to strengthen the system of internal control to provide a generally sound basis for governance, service delivery, financial management and accountability in 2007/08 and a joint Internal Control & Corporate Governance Action Plan to achieve this was adopted by the Council on 28 June.

The Council's performance was monitored in part by Best Value Performance Indicators (BVPIs), which were published annually in the Corporate Performance Plan. These were the clearest means of comparing Fylde's performance with that of other similar Councils throughout the country.

In the six months to the 30<sup>th</sup> September the audit team was closely involved in the detailed verification of the information, data and calculations supporting the published figures. The input from Internal Audit resulted in the successful publication of performance indicators without any errors or corrections.

During the first half of the year the audit team undertook two investigations - one allegation of fraud against a member of staff and one allegation of corrupt practice. Both cases were reported by anonymous whistleblowers. Neither of the investigations showed any grounds for disciplinary action; however, as a result of one case teams had been reminded of appropriate procedures. In addition, internal audit had co-ordinated the production of housing benefit, payroll and creditors information for a data matching exercise as part of the National Fraud Initiative.

Progress towards completing the audit plan was excellent and the target looked certain to be surpassed. By contrast the implementation of audit recommendations by managers had declined in the first half of this year. There was a need for considerable

further improvement to reach an ambitious target.

Following the presentation of the report Members raised a number of issues including;

How the council's average assurance score compared with other authorities; how the issues on internal cash transfers were resolved; progress to date on completing monthly cash to bank reconciliation together with progress on agreeing a service level agreement with Blackpool council for managing the back-up and recovery arrangements of the council tax, business rates and housing benefit systems and the lack of implementation of agreed audit recommendations.

Following a full debate the committee RESOLVED-

1. That the committee express their concern on the lack of progress in developing procedures for completing monthly cash to bank reconciliation together with the lack of progress on agreeing a service level agreement with Blackpool council for managing the back-up and recovery arrangements of the council tax, business rates and housing benefit systems and request the Finance Officer to resolve these issues as a matter of urgency.
  2. That subject to the chairman not being satisfied that sufficient progress has been made in resolving the above issues the Finance Officer be requested to attend the next meeting of the committee.
  3. That the committee express concern about management's poor performance on implementing agreed recommendations and that the cabinet portfolio holder for finance and efficiency be requested to scrutinise the implementation of agreed recommendations.
  4. To thank Mr Sykes for the report and the work undertaken by his colleagues in the Audit department.
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At the close of the meeting the committee were informed that training for members of the Audit committee would be provided in December 2006.