

Agenda



Audit Committee

Date	Thursday, 21 June 2012 at 7:00 pm
Venue	Town Hall, St Annes
Committee members	Councillor John Singleton JP (Chairman) Councillor Brenda Ackers (Vice-Chairman) Councillors Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper, Howard Henshaw, Linda Nulty, Louis Rigby

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The code of conduct for members can be found in the council's constitution at www.fylde.gov.uk/council-and-democracy/constitution

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REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF RESOURCES	AUDIT COMMITTEE	21 JUNE 2012	4

ANNUAL GOVERNANCE STATEMENT

Public item

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

Summary

The report presents the Annual Governance Statement prepared under the CIPFA/SOLACE framework the local code of corporate governance for approval.

Recommendation

1. Approve the Annual Governance Statement for signature by the chairman.

Reasons for recommendation

To meet the requirement for the Council to approve an Annual Governance Statement

Alternative options considered and rejected

There are no alternative options available

Cabinet portfolio

The item falls within the following cabinet portfolio: Finance and Resources – Councillor Karen Buckley

Continued....

Report

1. A sound system of corporate governance underpins the achievement of all the Council's corporate objectives.
2. The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Fylde Borough Council has complied with the code and shows how the effectiveness of governance arrangements have been monitored during the year.
3. The preparation and publication of an annual governance statement is necessary to comply with Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires authorities to prepare a statement of internal control in accordance with "proper practices". The CIPFA/SOLACE guidance identifies the production of an annual governance statement in accordance with the guidance as "proper practices".

Summary of the local code

4. According to the CIPFA/SOLACE guidance, "governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities".
5. The council's code adopts the following six core principles from the CIPFA/SOLACE guidance which underpin the council's system of governance
 - Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting the values of the authority and demonstrating the values of good governance through behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively
 - Engaging with local people and other stakeholders to ensure robust local public accountability.
6. The code requires the Council to:
 - consider the extent to which it complies with the above six core principles and requirements of good governance set out in the Framework;

- identify systems, processes and documentation that provide evidence of compliance;
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
- identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
- identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

7. The Local Code describes the arrangements that have been or are being established within the Council to comply with the requirements and these are summarised below.

Annual Governance Statement

8. Under each core principle, the code identifies a series of sub-principles, which in total provide a 63-point checklist. The Corporate Governance Group, comprising the Chief Executive, the Monitoring Officer, the Section 151 officer, the Head of Internal Audit and the Head of Governance, has conducted a detailed self-assessment of the council's governance against this checklist.

9. The council must publish the results of this self-assessment, including any recommended areas for improvement in the forthcoming year, as part of its Annual Governance Statement alongside the annual accounts.

10. The governance statement is attached to this report and is presented for approval by the committee. It will, if approved, be signed by the chairman of the committee, the council leader, the chief executive, the section 151 officer and the monitoring officer.

11. The Corporate Governance Group will draw up an action plan for future approval by the committee to meet the issues identified in the governance statement.

IMPLICATIONS	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2011.
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None

Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance make clear.
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REPORT AUTHOR	TEL	DATE	DOC ID
Tracy Morrison	(01253) 658521	14 May 2012	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
Code of Corporate Governance	April 2008	Town Hall, St Annes
Directorate assurance statements	2011/12	Town Hall, St Annes

Attached documents

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2012

Scope of responsibility

Fylde Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. A copy of the code is on our website at www.fylde.gov.uk or can be obtained from the Town Hall, St Annes Road West, St Annes. This statement explains how the council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework has been in place at the Fylde Borough Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

The governance environment

Principles

The council has adopted a code of corporate governance (“the Code”) and recognises that effective governance is achieved through the core principles enshrined in it. These are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively
6. Engaging with local people and other stakeholders to ensure robust accountability

The council’s corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the authority in its pursuit of its vision and objectives. The following describes the key elements:

Constitution

The Council’s constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution also identifies the principal obligations and functions of the council.

The constitution and its appendices clearly explain how the different elements of the council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols. The constitution builds on model constitutions and guidance maintained by the Department for Communities and Local Government.

The monitoring officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its

objectives. The constitution is also presented annually to the council for re-adoption and updating to ensure that it remains relevant to its purposes.

Political structure

The council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it. The council appoints, and can remove, the council leader.

The council meeting also acts as a channel for executive accountability through mechanisms such as notices of motion and cabinet questions.

The authority operates a leader and cabinet form of executive comprising the council leader and six other cabinet members. The role of the cabinet, as set out in the constitution and relevant legislation, is to be responsible for those matters not expressly reserved to the council meeting.

Meetings of the Cabinet are open to the public even when not required to by legislation, except where personal or confidential matters may be disclosed. Public platform allows members of the public to make a point and seek to have it addressed during the course of the meeting. Members of the council who are not members of the cabinet can ask questions at cabinet meetings. This helps ensure robust accountability of cabinet decisions.

Accountability of cabinet decisions is also achieved through scrutiny mechanisms, including the ability of a scrutiny committee to call-in a Cabinet decision, and by the power of the full council meeting to remove the council leader.

In addition to the statutory Forward Plan of key decisions to be taken by the cabinet, the Council publishes forward plans showing non-key decisions to be taken by the Cabinet and business expected to be considered by scrutiny committees, Audit Committee and the full council. Each plan gives details of when decisions are expected to be made, who will take the decision, who will be consulted before the decision is made and how representations can be made.

The Council has established two overview and scrutiny committees to assist the cabinet in policy development and review, to scrutinise decisions made by the Cabinet and analyse the performance of the Council in meeting its policy objectives and performance targets. The work of the Committees is co-ordinated by a Scrutiny Management Board consisting of the chairmen and vice chairmen of the overview and scrutiny committees.

The Council's Standards Committee deals with all aspects of advice and guidance for Members on matters of conduct, ethics, propriety and declaration of

interest. It also assesses, oversees and determines complaints made against Members under the Code of Conduct. The Committee has four independent persons appointed to it. An independent person chairs the committee and all of its subcommittees.

The Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations.

The Standards Committee framework will be subject to review in the summer of 2012 due to new legislation and a new framework will be put before the Council in July 2012.

The monitoring and performance of the Council's assurance and governance framework is led by the Council's Audit Committee. This is a committee independent of the executive and scrutiny processes and reports directly to Council. The committee has the responsibility to ensure that the monitoring and probity of the Council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

Officer structure

The authority implements its priorities, objectives and decisions through officers, partnerships and other bodies. Officers can also make some decisions on behalf of the authority.

The Chief Executive is designated as the head of the authority's paid service. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the authority. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

The Council has designated its Director of Resources as Monitoring Officer. The Monitoring officer must ensure compliance with established policies, procedures, laws and regulations. She must report to the full Council or cabinet as appropriate if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council has designated the Head of Finance as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2003.

Three directors report to the chief executive and collectively form the authority's management team. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business and manages a business unit.

The Management Team collectively and individually are responsible for securing the economical, effective and efficient use of resources as required by the duty of best value.

Powers delegated to each member of management team are documented in the constitution.

The Council maintains an independent Internal Audit Service, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom'.

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit Committee and Management Team and to compile, maintain and monitor the Code.

Operational

The Corporate Plan establishes Fylde Borough Council's corporate priorities and reflects the Council's principal statutory obligations. Performance against the plan is supported by a performance management system.

The financial management of the authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place a Medium Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning

process. All services are reviewed annually to ensure that they meet the needs of customers and that performance targets for quality improvements are set and monitored. The Medium Term Financial Strategy includes targets for efficiency savings, to be met across all service areas.

Annual budgets are set by the Council in the context of the Medium Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Regulations.

A robust process of financial monitoring is in place. Budgets are regularly reviewed, the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported to the Management Team and the Cabinet. Corrective action is required where there is any indication of a likely variance against budget.

The Council has adopted a “Local Code of Corporate Governance” in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council’s website.

The Council had adopted and implemented a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and regularly reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks.

A corporate Risk Management Group (RMG) has been established with an effective monitoring and reporting mechanism. A member of Management Team is the nominated chair of the RMG and the executive portfolio-holder and member risk champion attend group meetings.

The authority’s risk management policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, executive managers are required to incorporate a register of risks relevant to their unit within each unit’s service plan.

Internal Audit provides in its annual report an independent and objective opinion on the effectiveness and operation of the internal control framework during the year. The Internal Audit Team is subject to regular inspection by the Council’s external auditors, who place reliance on the work carried out by the team.

The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Council services are delivered by trained and experienced people. All posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme.

In addition the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control.

The authority has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially. The authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

Review of effectiveness

The authority supplements the mandatory external audit judgements by assessing itself against the good practice elsewhere. This, together with the authority's own Performance Management Framework, provides the evidence needed to ensure a culture of continuous performance improvement.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to produce an Annual Report and provide an opinion on the effectiveness of the authority's internal control system.

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group, which comprises the Chief Executive, Section 151 Officer, Monitoring Officer, Head of Governance and the Head of Internal Audit, has been given the responsibility to annually review the Corporate Governance Framework and to report to Audit Committee on the adequacy and effectiveness of the Code and the extent of compliance with it.

The review of effectiveness is informed by the work of the directors within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Group has also received unit assurance statements from each of the authority's directorates. These assurance statements show the extent of compliance within the unit concerned with key corporate procedures designed to

embed good governance and internal control. In addition, the group has taken account of external assurance sources including the external auditor's Annual Audit Letter, Use of Resources scored assessment and interim report.

In accordance with the Accounts and Audit (Amendment) Regulations 2006, a review of the system of internal audit has been carried out by the Council's external auditors against the Code of Practice for Internal Audit in Local Government and the results reported to the Audit Committee. The review concluded that internal audit met the appropriate professional standards required by the Code.

Internal Audit has carried out an annual programme of reviews as approved by the Audit Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the authority's internal audit service. Any significant failure to achieve agreed actions is reported to the Audit Committee, who can require an explanation from the director concerned.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit now carries out an annual review of the Risk Management Framework in accordance with the terms of the Risk Management Policy.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is set out below.

Governance Issues

The Council, via its Corporate Governance Group's recommendations, has identified the following areas where it wishes to see improvements in 2012/13:

1. *100% implementation rate in staff appraisals*
2. *The development and delivery of a programme of equalities training*
3. *A review of procurement arrangements to see the most effective use of resources*
4. *Review of Codes of Conduct for both members (in light of new standards framework) and officers with appropriate training/guidance*
5. *A refresh of the Communications Strategy*

6. *Further refinements to reporting capabilities on the revenues and benefits academy system*
7. *A revision in business continuity arrangements*
8. *A refresh of the Project Management Framework*

On the basis of the work carried out, which has been reviewed by the Audit Committee, we are satisfied that the Governance Framework is effective. We propose over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTOR	AUDIT COMMITTEE	21 JUNE 2012	5

CONSTITUTION REVIEW

Public/Exempt item

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

Summary

Currently, the council's constitution needs to be re-adopted by the council each year. This report highlights some proposed changes and invites the committee to recommend to the council that it formally re-adopts the constitution subject to those changes

Recommendation/s

1. Recommend that the council re-adopt the constitution incorporating the summary of changes as outlined.

Cabinet portfolio

The item falls within the following cabinet portfolio: Corporate resources and finance (Councillor Karen Buckley).

Report

Background

1. Article 15 of the council's constitution requires the Monitoring Officer to monitor and review the Constitution and refer it to members for annual re-adoption each year, with any amendments or alterations then considered appropriate or necessary by the Council.
2. The constitution will therefore be submitted to the council meeting on 30 July. The committee is asked to examine the changes proposed to be made and recommend to the council that the changes (or such other changes as it considers appropriate) be incorporated in the constitution.
3. The proposed changes are summarised below. They also take into account a number of observations and recommendations made by Mark Towers, Blackpool Council's Monitoring Officer, in conducting his review of governance

Continued....

arrangements within the Council. Members may also wish to note that the Monitoring Officer is able to appoint a Deputy (this being at his/her discretion in terms of appointment) and Mark Towers, has been appointed by the Council's own Monitoring Officer as her Deputy to assist her in fulfilling her new role.

Summary of changes

1. Structure of the Constitution

Although the current structure of the Constitution has been in place for a number of years, a theme in the feedback in the work undertaken by Mark Towers was that it was not considered a user friendly document. The nature of the requirements for inclusion within the constitution means that it never will be the most straight forward document to read. Most Council's have retained the structure in the original model constitution. The Department of Environment, Transport and the Regions (DETR) in November/December 2000 (an earlier form of the Department of Communities and Local Government), produced guidance setting out a modular approach to compiling a constitution. The basic distinction in the way the Constitution should be presented is between articles and rules of procedure and associated material.

Articles are intended to set the overall framework and in general will not be subject to frequent change. They are about what is to be done and by whom.

Procedure rules, codes of conduct and the other material located after the articles are broadly about how the articles will be put into effect. They may be subject to more frequent change, especially as the Local Authority learns from the experience of operating a new constitution. The Modular Constitutions were designed to meet all the necessary statutory requirements for instruments of governance and to include matters traditionally covered by local authority standing orders, financial regulations, and scheme of delegation and terms of reference.

The modular approach taken by the DETR in its guidance proposed that the Constitution is divided into:-

- (1) Articles of the Constitution
- (2) Responsibilities for Functions
- (3) Rules of Procedure
 - Council and Committee Rules of Procedure
 - Executive Rules of Procedure
 - Budget and Policy Framework Procedure Rules
 - Finance Procedure Rules
 - Overview and Scrutiny Rules of Procedure
 - Officer Employment Rules of Procedure
 - etc
- (4) Codes and Protocols
- (5) Members Allowance Scheme
- (6) Management Structure (Staff and Political Management structure)

Proposal – To reformat the Fylde Constitution to reflect the above model structure proposed by the DETR and used in many local authorities.

2. Articles

Article 2 – Members of the Council (page 10) – para 2.2 – ‘Election and Terms of Office of Councillors’ – refers to 2003 as last date of election.

2.1 Proposal – Change date to 2011 which was the last date of election.

Article 4 – Functions of Full Council (page 12) – para 4.01 (f) refers to a function of Council to allow it to change the number of members who will comprise the Executive. The Local Government Public Involvement in Health Act 2007 introduced a ‘Strong Leader’ model which takes away on rights of Council to influence or constrain the appointment or numbers of Cabinet Members. The Legislation states that the Leader of the Council can appoint between 2 and 9 councillors to the Cabinet. This is a definite change which must be made to the constitution, as it could be considered unlawful to have this reference in the constitution.

Proposal – delete function 4.01 (f) to ensure the Constitution is compliant with current legislation.

2.2 Article 7 – The Executive (page 18) – paras 7.02 and 7.04 again refer to a limitation of 6 Executive members unless the Council decides otherwise. As stated above the Local Government Public Involvement in Health Act 2007 introduced a ‘Strong Leader’ model that changed the rights of Council to limit the appointment of Cabinet Members. Again this is a definite change which must be made to the constitution, as it could be considered unlawful to have this reference in the constitution.

Proposal – amend para 7.02 and 7.04 to ensure the Constitution is compliant with current legislation.

2.3 Article 13 – Decision making (page 26) – para 13.04 refers to the generic definition of a key decision but does not refer to the limits. The Forward Plan refers to a financial limit of £100,000.

Proposal – add or agree a more detailed definition of a key decision as described within the Council’s Forward Plan and include it in the Constitution.

2.4 Article 15 – Review and Revision of the Constitution (pages 28 and 29) – para 15.05 refers to an annual re-adoption. From comparisons with other Council Constitutions, an annual review does seem a good idea in theory but in practice and looking at the changes made to the Constitution at Fylde over recent years this does seem to be a more cosmetic exercise. It would be more appropriate to move to a review every 3 years and involve members and senior officers prior to any proposals being drafted in the form of a report for Committee. As indicated earlier, the Monitoring Officer has a duty to keep the Constitution under review and has delegated authority to amend the Constitution where there has been a change in law, job title, structure, rearrangement of job responsibilities or for general administrative convenience.

Proposal – amend the formal period of a review of the Constitution to 3 years and directly involve elected members and officers prior to any proposed changes.

2.5 Article 17 – Appendices to the Constitution (page 31) – if the proposal to alter the structure of the Constitution is agreed (as referred to earlier in this report) then this Article would be deleted.

Proposal – delete the Article as part of adopting the model structure

3. Council Procedure Rules

3.1 Part C and D Functions which the Council has delegated to the Executive or an Officer (Page 41) – a number of functions delegated to senior officers need to be moved around to reflect the new management structure. Two delegations are proposed to be deleted which refer to the procedure for dealing with petitions under section 14 of the Local Democracy, Economic Development and Construction Act 2009 as this legislation has now been repealed.

An amendment is also suggested in relation to the Director of Development Services regarding responses to consultations and this is suggested to read:

‘The Director has delegated authority to respond to consultations from other local authorities together with utility and infrastructure providers and government agencies’.

A further amendment is requested regarding the serving of stop notices to also reflect that temporary stop notices can also be issued following consultation with the Chairman and Vice-Chairman of the Development Management Committee.

The Head of Governance currently has delegation for instituting magistrates’ court proceedings in cases of non-compliance with planning contravention notices, enforcement notices and stop notices. This would be better worded providing authority to institute magistrates’ court proceedings in cases of non-compliance with statutory notices under the legislation.

At present, members of the Executive have delegated powers to make changes to scales of fees and charges which do not affect the Council’s overall budgetary framework. This power is delegated by the Leader to Executive members. This wording would be better focused to read: Changes to fees and charges which are estimated to generate up to £25,000 of additional income in any one financial year to be determined by the service Portfolio Holder. Any financial impact above this level to be approved by the Council. In addition, at present no expenditure can be incurred in the capital programme until a detailed breakdown has been given to Cabinet. It is suggested that this is also included in the individual Cabinet member delegations.

Proposal - to amend the delegations to reflect the revised officer structure and remove/amend delegations as outlined above.

3.2 Selection of Councillors on Committees and Outside Bodies (page 65) deals with the timing of which committees to establish each year, the size and terms of reference of such committees, the allocation of seats to political groups in accordance with the political balance rules and appointment to outside bodies. In a none election year, the Constitution outlines that these should be dealt with at different timings throughout the year. It would be more straightforward if these were all dealt with at the Council meeting preceding the AGM in a none election year (and at the AGM in an election year). It has been common practice for the last few years that this has been the case and this formalises the situation.

Proposal – to make the amendment as suggested.

3.3 Special Meetings (page 66) – it is common practice to also include the Monitoring Officer in the list of people who can call a Special Meeting (it is also an entitlement of the person who holds this position).

Proposal – for completeness add Monitoring Officer to this list

3.4 Notice of and Summons to Meetings (para 5) (page 65) - there is a reference in this paragraph of ‘at least three clear working days before a meeting, the Chief Executive will

send a summons by post etc ...'. From 1st October 2002, the Local Authorities (Access to Meetings and Documents) (Period of Notice) (England) Order 2002 changed the number of days from three to five clear working days, for all meetings, including Council. The Council's Access to Information Procedure Rules at Appendix 5 of the Constitution also refers to 5 days for all meetings.

Proposal – amend para 5 to read 'five days' instead of 'three days'.

3.5 Chairman of Meeting (para 6) (page 65) – sub para 6.6 refers to a provision of the Mayor inviting the Deputy Mayor to conduct ordinary or a special meeting of the Council. Schedule 12 (para 5) of the Local Government Act 1972 states that if the Mayor is present at the meeting then they shall preside. The Deputy Mayor shall only preside if the Mayor is absent.

Proposal – clarify or delete para 6.

3.6 Notices of motion (para 11.1) (pages 67 and 68) – the process for dealing with notices of motions seems quite complicated compared to other Authorities and this was reinforced during the interviews which took place by Mark Towers. The way of working at Fylde is that when a notice of motion appears on the Council summons there is a default option for it to be deferred to the Cabinet or a Committee rather than it to be debated at the Council meeting (unless at the request of the proposer, Council agrees to hear it).

Suggested that all notices of motion be debated at Council (subject to them being proposed and seconded). This would allow a more open debate to take place. Even if it is considering an Executive function, then the Council can give a view to Cabinet (e.g. the motion would read 'The Council requests Cabinet to'). It may also be simpler to have it as 1 member of the Council giving written notice of a motion (as opposed to 2 members).

Proposal – to consider the proposal for change to the Notice of Motion procedure in that a notice of motion will automatically be debated at Council meetings subject to them being moved and seconded.

3.7 Recorded vote (para 15.5) (page 73) – the position with regard to voting at Fylde seem quite different to other Councils. Recorded votes are a feature of most Council constitutions, but they are more by usually by exception rather than the norm. The practice at Fylde for the Council meeting in essence is that unless the Mayor deems a motion to be not controversial then a recorded vote always takes place. This puts an onus on the Mayor to determine which instances this should relate to and lengthens the meeting and the minutes perhaps somewhat unnecessarily. It is suggested that the process changes to recorded votes only occurring where a specific number of members (5 is suggested) specifically request it, prior to the vote being taken on the item.

Proposal – to consider the proposal for change to the practice on recorded votes in that a recorded vote will only be taken at Council or other meetings if sop requested by 5 members.

4. Procedure Rules

4.1 Employment Procedure Rules (pages 77 to 81)

From a comparative review of these and from subsequent questioning, it is apparent that the Officer Employment Procedure Rules are incomplete and also the Council should at the earliest opportunity appoint a Chief Officer Employment Committee (or a committee with a similar name) with terms of reference as described in the rules (and the Local Authorities (Standing Orders) (England) Regulations 2001, regarding the appointment, dismissal and disciplining of Chief Officers. This must be a Committee of Council and must be proportionally balanced. Such a Committee can include Executive Members. It is also the body where items such as the Pay Policy statement should be taken prior to the full Council meeting each year.

Para 5.1.2 (page 78) also refers to the possibility of councillors acting as members of a committee or sub committee to consider any appeal by the person appointed against any decision relating to the appointment. Councillors should only be involved in appointments relating to Chief Officers and that all other appointments should be considered and dealt with at officer level. The Public Protection Committee also considers appeals against gradings of posts. This is unusual and in recent years Authorities, including Fylde, have agreed a job evaluation scheme that includes an approved appeal procedure.

The Council has clear policies with regards to the appointment of officers at all levels and any consideration of a deviation from the normal practice requires that evidence is available to support such a decision and this would therefore be a matter of record which could be scrutinised at any point.

With regard to other matters relating to appointment decisions, employees who are dissatisfied by the way they are treated may raise a grievance under the formal procedure in place at Fylde which can ultimately be heard by the Public Protection Committee, if the matter cannot be resolved at officer level. This provides sufficient recourse for all employees who are dissatisfied for whatever reason with the employment relationship and special provision for newly appointed staff is not necessary and cannot be justified.

Proposal – to recommend Council to form a Chief Officer Employment Committee at its July Meeting and also to agree a 'Proper Officer' in relation to these procedures and to delete the references to officers appealing appointments and gradings as outlined above.

4.1 Standing Orders – Procedure for mid-range contracts (page 84) – recommend that in line with guidance issued by the Local Government Association that the Council dispenses with the need for pre-qualification questionnaires for lower value contracts under £100,000 as this tends to discourage smaller businesses from tendering for council business. The current limit is £75,000.

Proposal – to amend the limit for mid- range contracts to £100,000

4.2 Standing Orders – Land Transaction Procedure Rules (page 90) – recommend that under the general section that it be stated that the rules do not apply where the land has previously been let on a lease or tenancy and is subject to a statutory renewal process. The reason is that land that has been let in this way previously is subject to a statutory renewal process.

Proposal – to amend the procedure rules to reflect the above point

5. Access to Information Procedure Rules (pages 115 to 122)

5.1 Procedure before taking Key Decision (para 13) (page 118) – sub para 13.2 refers to at least 3 clear days have elapsed since the publication of the Forward Plan. This is also the same with sub para 15.4. To be consistent with public notice and publication of agendas this should be changed to 5 clear days.

Proposal – to change it from 3 clear days to 5 clear days.

5.2 Officers Code of Conduct (pages 161 and 162) - employees must treat with extreme caution any offer, gift, favour or hospitality offered to them personally. The suggested revision places responsibility on the Council's Senior Officers in determining that no Council decisions are compromised as a result of any acceptance. A register will be maintained by the Monitoring Officer which will be open to inspection by the Standards Committee to reflect the nature of any gifts or hospitality afforded to officers. For completeness, the revised code is attached as an appendix.

Proposal - to amend the code accordingly.

6. Codes and Protocols

The separate review of the recommendations from the Melton Grove Scrutiny identified options for certain issues of misunderstanding to be brought into the constitution. One way that this could occur is to introduce a number of Protocols. This would help define roles in a clearer manner. There were references in nearly all interviews conducted by Mark Towers to issues of interpretation and lack of pro active advice in connection with the Constitution. There is a proposal for the Council to change its Monitoring Officer and the introduction of a Monitoring Officer Protocol would be a good foundation for the new Monitoring Officer to build from and to help clarify roles and functions.

1. Members on Outside Bodies
2. Monitoring Officer Protocol

Proposal – to introduce a Monitoring Officer Protocol and guide / criteria for members on Outside Bodies.

7. Standards Committee Proposals

New standards arrangements will need to be put in place by July 2012. A new Code of Conduct will be presented to Council at its July Council meeting together with an outline of how the new framework will operate. Group Leaders will be briefed on these new arrangements prior a report being brought forward to Council. It is recommended that the Standards Committee is retained to keep the profile and status of this area.

Proposal – to retain the Standards Committee and the Council at its July meeting to consider the composition of this and agree a new code of conduct in compliance with legislation.

Finance	None
Legal	Article 14 of the constitution requires the constitution to be submitted for re-adoption to the council. Audit Committee has a role of reviewing any proposed changes in advance of this.
Community Safety	None.
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	None

REPORT AUTHOR	TEL	DATE	DOC ID
Tracy Morrison	(01253) 658521	1 June 2012	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
Council constitution		Town Hall, St Annes, or www.fylde.gov.uk

Officers Gifts and Hospitality

- 1) Employees must treat with extreme caution any offer, gift, favour or hospitality made to them personally.
- 2) If there is a genuine need as a legitimate part of an employee's job to accept offers of hospitality this may be allowed. The decision whether to accept is one of common sense, however, any employee who is in doubt about the legitimacy of any offer of hospitality must ask his/her Senior Officer or Senior Manager for advice.
- 3) When considering whether or not to accept hospitality employees must be sensitive to the timing of decisions for letting contracts for which the provider may be bidding and must never accept hospitality from a contractor during a tendering period.
- 4) Acceptance by employees of hospitality at relevant conferences and courses is acceptable where it is clear the hospitality is corporate rather than personal.
- 5) Any offer, gift, favour or hospitality as described in the above paragraphs should only be accepted where the employee is satisfied that any purchasing, planning or other council decisions are not compromised. Employees should not place themselves in a position where their own integrity and the integrity of the council may be called into question.
- 6) When hospitality has to be declined those making the offer should be courteously but firmly informed of the procedures and standards operating within the council.
- 7) Employees must not accept significant personal gifts from contractors and outside suppliers. Insignificant tokens such as pens or diaries may be accepted.
- 8) A register is maintained by the Monitoring Officer which is open to inspection by the Standards Committee of the council. This register should be used by any employee of the council who accepts any gift, favour or hospitality made to them and accepted by them personally or on behalf of the council.



FYLDE BOROUGH COUNCIL

Employee's Guide

**Regulation of Investigatory
Powers Act 2000**

**Directed Surveillance and Use of Covert Human
Intelligence Sources**

1 Introduction

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
- 1.2 Fylde Borough Council is therefore included within the RIPA framework with regard to the authorisation of both [Directed Surveillance](#) and of the use of [Covert Human Intelligence Sources](#).
- 1.3 The purpose of this guidance is to:
- explain the scope of RIPA and the circumstances where it applies
 - provide guidance on the authorisation procedures to be followed.
- 1.4 The Council has had regard to the Codes of Practice produced by the Home Office in preparing this guidance. They are available on the Internet at www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice. Please ask your head of service if you want to refer to a paper copy.
- 1.5 This policy is reviewed annually by the full council. Additionally, reports on the use of authorisations under RIPA are made to the council's Audit Committee on a quarterly basis.
- 1.6 In summary RIPA requires that when the Council undertakes [directed surveillance](#) or uses a [covert human intelligence source](#), these activities must only be authorised by an officer with delegated powers when the relevant criteria are satisfied.
- 1.7 The table and paragraphs 1.8 and 1.9 below set out the officers of the council who have delegated powers under RIPA and the extent of their powers:

Job title	Extent of power
Chief Executive	All
Directors	In connection with directorate activities
Director of Resources	In connection with council tax and housing benefits

- 1.8 There are special rules that apply where the Council intends to undertake [directed surveillance](#) or use a [covert human intelligence source](#) and the surveillance or use of the source is likely to result in [confidential material](#) being acquired. In those circumstances, the chief executive must authorise the use of the source. Nobody else can authorise the surveillance or use of the source unless the chief executive is absent. Even if the chief executive is

absent, only the officer acting to the time being as Head of Paid Service can authorise: no other officer can do so.

- 1.9 The same special rules apply where the council intends to use a [covert human intelligence source](#) who is under 18 years old, or who is vulnerable. A person is vulnerable if he or she is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself, or unable to protect himself against significant harm or exploitation. Again, the chief executive must authorise the use of such a source. Nobody else can authorise the surveillance or use of the source unless the chief executive is absent. Even if the chief executive is absent, only the officer acting to the time being as Head of Paid Service can authorise: no other officer can do so.
- 1.10 The council will only use a person who is vulnerable as a covert human intelligence source in the most exceptional circumstances, and will not use any person who is under 16 years old.
- 1.11 Authorisation under RIPA gives lawful authority to carry out [surveillance](#) and the use of a source. Obtaining authorisation helps to protect the Council and its officers from complaints of interference with the rights protected by Article 8(1) of the European Convention on Human Rights which is now enshrined in English law through the Human Rights Act 1998. This is because any interference with the private life of citizens will be “in accordance with the law”. Provided activities undertaken are also “reasonable and proportionate” they will not be in contravention of Human Rights legislation.
- 1.12 It should be noted that the Council cannot authorise [Intrusive Surveillance](#). Investigators should familiarise themselves with the provisions of chapters 5 and 6 of the [Code of Practice](#) on Covert Surveillance to ensure a good understanding of the limitation of powers within RIPA.
- 1.13 Deciding when authorisation is required involves making a judgment. Paragraph 2.4 explains this process in detail. If you are in any doubt, seek the advice of an Authorising Officer, if they are in doubt they will seek advice from the Head of Governance. While it is always safer to get authorisation, many kinds of investigation may not involve the use of the kinds of surveillance covered by RIPA.
- 1.14 Personnel matters are for RIPA purposes regarded as being within the province of the Human Resources section and not that of individual directorates. [Covert](#) surveillance of any council employee for the purpose of preventing or detecting crime or of preventing disorder arising out of their employment by the council can therefore only be authorised by the Chief Executive or the Director of Resources.
- 1.15 The Head of Governance has responsibility for maintaining a centrally retrievable record of authorisations under RIPA and for overseeing:

- 1.15.1 the integrity of the process in place within the authority to authorise directed surveillance;
 - 1.15.2 compliance with Part II of the 2000 Act, Part III of the 1997 Act and with the codes of practice;
 - 1.15.3 engagement with the Commissioners and inspectors when they conduct their inspections, and
 - 1.15.4 where necessary, overseeing the implementation of any post-inspection action plans recommended or approved by a Commissioner.
- 1.16 Before any officer of the Council undertakes or commissions any [surveillance](#) of any individual or individuals they need to assess whether the activity comes within RIPA. In order to do this the following key questions need to be asked.

2 Directed Surveillance

2.1 What is meant by Surveillance?

"Surveillance" includes:

- a) monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- b) recording anything monitored, observed or listened to in the course of surveillance; and
- c) surveillance by or with the assistance of a surveillance device.

2.2 When is surveillance directed?

Surveillance is 'Directed' for the purposes of RIPA if it is [covert](#) and is undertaken:

- a) for the purposes of a [specific investigation](#) or a [specific operation](#);
- b) in such a manner as is likely to result in the obtaining of [private information](#) about a person (whether or not one is specifically identified for the purposes of the investigation or operation); and
- c) otherwise than by way of an [immediate response](#) to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought for the carrying out of the [surveillance](#).

2.4.1 Is the surveillance covert?

Covert surveillance is that carried out in a manner **calculated** to ensure that subjects of it are unaware it is or may be taking place.

If activities are open and not hidden from the subjects of an investigation, the RIPA framework will normally not apply.

2.4.2 Is it for the purposes of a specific investigation or a specific operation?

For example, are Town Hall CCTV cameras which are readily visible to anyone walking around the building covered?

The answer is not if their usage is to monitor the general activities of what is happening in the car park. If that usage, however, changes, RIPA may apply.

For example, **if** the CCTV cameras are targeting a particular known individual, and are being used in monitoring his activities, that has turned into a specific operation. However, the operation will only require authorisation if the surveillance is covert.

2.4.3 Is it in such a manner that is **likely** to result in the obtaining of private information about a person?

"Private information" is any information relating to a person's private or family life.

An investigation that merely gathers intelligence about a person's use of public spaces and premises open to the public would not by itself usually be likely to result in the obtaining of private information.

For example, the fact that a person has visited a particular pub and spoke to another particular person on a particular occasion will not be private information about either of them. But recording information about what they talk about may be. Private information may also be obtained if several records about what the person did in a public place are analysed together to produce a pattern of behaviour.

If it is likely that observations will not result in the obtaining of private information about a person, then it is outside RIPA framework. However, the use of 'test purchasers' may involve the use of [covert human intelligence sources](#) (see later). If in doubt, speak to your Authorising Officer.

2.4.4 Otherwise than by way of an immediate response to event or circumstances where it is not reasonably practicable to get authorisation

The Home Office gives the example of an immediate response to something happening during the course of an observer's work, which is unforeseeable.

However, if as a result of an immediate response, a [specific investigation](#) subsequently takes place that brings it within RIPA framework.

3 Is the Surveillance Intrusive?

3.1 [Surveillance](#) becomes intrusive if it:

- a) is carried out in relation to anything taking place on any **residential premises** or in any **private vehicle**; and
- b) involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device; or
- c) Is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle but is carried out without that device being present on the premises or in the vehicle, where the device is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

3.2 Surveillance is also automatically deemed to be intrusive if it relates to certain kinds of premises which are, at the time of the surveillance, being used for legal consultations. The premises are prisons, courts, police stations, legal practitioners' offices and high security hospitals.

The council cannot carry out intrusive surveillance.

4 Covert use of Human Intelligence Source (CHIS)

4.1 A person is a Covert Human Intelligence Source if:

- a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph b) or c),
- b) he covertly uses such a relationship to obtain information or provide access to any information to another person; or
- c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

4.2 A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose.

- 4.3 An example of a CHIS would be an officer or other person who pretends to form a friendship with a suspect, but who is really using that relationship to secretly obtain information from the suspect.
- 4.4 It would be unusual for the council to use a CHIS, but if you do so, you need to obtain authorisation

5 Authorisations, renewals and cancellations

5.1 The Conditions for Authorisation

5.1.1 Directed Surveillance

5.1.1.1 For [directed surveillance](#) no officer shall grant an authorisation for the carrying out of directed surveillance unless he believes:

- a) that an authorisation is **necessary** for the purpose of preventing or detecting crime or of preventing disorder and
- b) the authorised [surveillance](#) is **proportionate** to what is sought to be achieved by carrying it out.

5.1.1.2 In order to ensure that authorising officers have sufficient information to make an informed decision it is important that detailed records are maintained. As such the [forms](#) listed in the Appendix are to be completed where relevant.

5.1.1.3 It is also sensible to make any authorisation sufficiently wide enough to cover all the means required as well as being able to prove effective monitoring of what is done against that is authorised.

5.1.2 Covert Use of Human Intelligence Sources

5.1.2.1 The same principles apply as for [Directed Surveillance](#). (see paragraph [5.1.1](#) above), but there are some additional requirements. The person authorising use of a CHIS must believe that management arrangements for the source satisfy requirements laid down in RIPA and relevant regulations. The requirements are set out in [Appendix 3](#).

5.1.2.2 The conduct so authorised is any conduct that:

- a) is comprised in any such activities involving the use of a [covert human intelligence source](#), as are specified or described in the authorisation;
- b) relates to the person who is specified or described as the person to whose actions as a covert human intelligence source the authorisation relates; and

- c) is carried out for the purposes of, or in connection with, the investigation or operation so specified or described.

5.1.2.3 In order to ensure that authorising officers have sufficient information to make an informed decision it is important that detailed records are maintained. As such the [forms](#) listed in appendix 2 are to be completed where relevant.

5.1.2.4 It is also sensible to make any authorisation sufficiently wide enough to cover all the means required as well as being able to prove effective monitoring of what is done against that is authorised.

5.2 Requirements of RIPA

5.2.1 For **urgent** grants or renewal, oral authorisations are acceptable. In all other cases, authorisations **must** be in **writing**. The Appendix to this guidance refers to standard [forms](#), which must be used. **Officers must direct their mind to the circumstances of the individual case with which they are dealing when completing the form.**

5.2.2 Although it is possible to combine two authorisations in one form the Council's practice is for separate forms to be completed to maintain the distinction between [Directed Surveillance](#) and the use of a [source](#).

5.2.3 Authorisations lapse, if not renewed:

- within 72 hours if either granted or renewed orally, beginning with the time of the last grant or renewal, or
- 12 months - if in writing/non-urgent - from date of last renewal if it is for the conduct or use of a [covert human intelligence source](#) or
- in all other cases (ie directed surveillance) 3 months from the date of their grant or latest renewal.

5.2.4 The person who originally granted the authorisation can renew it in the same terms at any time before it ceases to have effect. If the person who originally granted the authorisation is unavailable, another [person entitled to grant a new authorisation](#) can renew it. Authorisations may be renewed more than once, provided they continue to meet the criteria for authorisation.

But, for the conduct of a [covert human intelligence source](#), an Authorised Officer should not renew unless a review has been carried out and that person has considered the results of the review when deciding whether to renew or not. A review must cover what use has been made of the source, the tasks given to them and information obtained.

5.2.5 The benefits of obtaining an authorisation are described in [paragraph 7](#) below.

5.2.6 Factors to Consider

Any [person giving an authorisation](#) should first satisfy him/herself that the authorisation is **necessary** on particular grounds and that the surveillance is **proportionate** to what it seeks to achieve.

5.2.7 Particular consideration should be given to **collateral intrusion** on or interference with the privacy of persons other than the subject(s) of [surveillance](#). Such collateral intrusion or interference would be a matter of especial concern in cases where there are special sensitivities, for example in cases of premises used for any form of medical or professional counselling, advice or therapy.

5.2.8 An application for an authorisation should include **an assessment of the risk** of any collateral intrusion or interference. The authorising officer must take this into account when considering the proportionality of the surveillance.

5.2.9 Those carrying out the [covert surveillance](#) should inform the Authorising Officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. In some cases the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.

5.2.10 Any person giving an authorisation will also need to be aware of particular **sensitivities in the local community** where the surveillance is taking place or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance. Where the Authorising Officer considers that conflicts might arise they should consult a senior police officer before granting the authorisation.

Home Surveillance

5.2.11 The fullest consideration should be given in cases where the subject of the surveillance might reasonably expect a high degree of privacy, for instance at his/her home, or where there are special sensitivities.

Spiritual Counselling

5.2.12 No operations should be undertaken in circumstances where investigators believe that surveillance would lead to them intrude on spiritual counselling between a Minister and a member of his/her faith. In this respect, spiritual counselling is defined as conversations with a Minister of Religion acting in his/her official capacity where the person being counselled is seeking or the Minister is imparting forgiveness, absolution of conscience or counselling concerning appropriate repentance. "Minister of Religion" does not

necessarily imply a paid office.

Confidential Material

5.2.14 RIPA does not provide any special protection for [confidential material](#). Nevertheless, such material is particularly sensitive, and is subject to additional safeguards under this guidance.

5.2.15 In general, any application for an authorisation that is likely to result in the acquisition of confidential material should include an assessment of how likely it is that confidential material will be acquired. Special care should be taken where the target of the investigation is likely to be involved in handling confidential material. Such applications should only be considered in exceptional and compelling circumstances with full regard to the proportionality issues this raises.

5.2.16 The following general principles apply to confidential material acquired under authorisations:

- Those handling material from such operations should be alert to anything that may fall within the definition of confidential material. Where there is doubt as to whether the material is confidential, advice should be sought from the Head of Governance before further dissemination takes place;
- Confidential material should not be retained or copied unless it is necessary for a specified purpose;
- [Confidential material](#) should be disseminated only where an appropriate officer (having sought advice from the Head of Governance) is satisfied that it is necessary for a specific purpose;
- The retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information.
- [Confidential material](#) should be destroyed as soon as it is no longer necessary to retain it for a specified purpose.

Combined authorisations

5.2.17 A single authorisation may combine two or more different authorisations under RIPA. Combined authorisations must not include [intrusive](#) surveillance activity.

Partnership working

5.2.18 The council's human resources service and benefit fraud services are outsourced to other councils. As the tasking authority, it is Fylde's responsibility to provide the authorisation. This means that where the outsourced human resources or benefit fraud service wishes to carry out [directed surveillance](#) or use a [CHIS](#), authorisation must be obtained from an appropriate [Authorising Officer](#) of Fylde Borough Council. An authorisation sought or granted by an officer of the council providing the outsourced service would not be valid under RIPA and would not give lawful authority for the activity.

Handling and disclosure of product

5.2.19 [Authorising Officers](#) are reminded of the guidance relating to the retention and destruction of confidential material as described in paragraph [5.2.16](#) above.

5.2.20 Authorising Officers are responsible for ensuring that authorisations undergo timely reviews and are cancelled promptly after directed surveillance activity is no longer necessary.

5.2.21 Authorising Officers must ensure that the relevant details of each authorisation are sent to the [designated officer](#) for registration as described in [paragraph 6](#) below.

5.2.22 The authorised officer should retain applications for [directed surveillance](#) for 5 years. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review.

5.2.23 [Authorising officers](#) must ensure compliance with the appropriate [data protection](#) requirements and the relevant codes of practice in the handling and storage of material. Where material is obtained by [surveillance](#), which is wholly unrelated to a criminal or other investigation or to any person who is the subject of the investigation, and there is no reason to believe it will be relevant to future civil or criminal proceedings, it should be destroyed immediately. Consideration of whether or not unrelated material should be destroyed is the responsibility of the Authorising Officer.

5.2.24 There is nothing in RIPA that prevents material obtained through the proper use of the authorisation procedures from being used in other investigations. However, you should always bear in mind that the purpose of your surveillance is governed by its authorisation. If the purpose changes, you will need to seek a new authorisation.

5.3 [The Use of Covert Human Intelligence Sources](#)

- 5.3.1 The [Authorising Officer](#) must consider the continuing safety and welfare of any employee to be used as a [CHIS](#), and the foreseeable consequences to others of the tasks they are asked to carry out. He should assess any risk to the employee **before** authorisation is given.
- 5.3.2 The Council's practice is **not** to use an employee acting as a source to infiltrate existing criminal activity, or to be a party to the commission of criminal offences, even where this is within the limits recognised by law.
- 5.3.3 The Authorising Officer must believe that the use of an employee as a source is proportionate to what it seeks to achieve. He should satisfy himself that the likely degree of intrusion into the privacy of those potentially affected is proportionate to what the use of the source seeks to achieve. Accurate and proper records should be kept about the source and tasks undertaken.
- 5.3.4 Particular care should be taken in circumstances where people would expect a high degree of privacy or where, as a consequence of the authorisation, [confidential material](#) is likely to be obtained.

Confidential material

- 5.3.5 RIPA does not provide any special protection for confidential material. Nevertheless, such material is particularly sensitive, and is subject to additional safeguards under the relevant Home Office [Code](#). In general, any application for an authorisation that is likely to result in the acquisition of confidential material should include an assessment of how likely it is that confidential material will be acquired.

6. Central Register of Authorisations

- 6.1 RIPA requires a central register of all authorisations to be maintained. The Head of Governance or his nominated representative maintains this register.
- 6.2 Whenever an authorisation is granted the [Authorising Officer](#) must arrange for the following details to be forwarded by e-mail to the Head of Governance or nominated representative. Receipt of the e-mail will be acknowledged.
- Whether it is for [Directed Surveillance](#) or [CHIS](#) ;
 - Applicants name, job title and directorate;
 - Applicant's address and Contact Number;
 - Identity of 'Target';
 - Authorising Officer and Job Title; (in line with delegation scheme)
 - Date of Authorisation;
 - Whether the special provisions for urgent authorisation were used and, if so, why;
 - Whether the investigation or operation is likely to result in obtaining [confidential material](#); and
 - The first date for review.

A copy of the authorisation should be sent either with the notification or to follow as soon as practicable afterwards.

6.3 The Head of Governance or person nominated to maintain the register of authorisations will:

- a) Review the authorisation and draw the authorising officer's attention to any issues or problems with it;
- b) Remind [authorising officers](#) of the expiry of authorisations;
- c) Check that surveillance does not continue beyond the authorised period;
- d) At the anniversary of each authorisation, remind authorising officers to consider the destruction of the results of [surveillance](#) operations;
- e) At the fifth anniversary of each authorisation, remind authorising officers to consider destruction of the forms of authorisation, renewal or cancellation.

6.4 It is each director's responsibility to securely retain all authorisations, renewals and cancellations within their directorate. These records are confidential and should be retained for a period of five years from the ending of the authorisation. Once the investigation is closed (bearing in mind court proceedings may be lodged some time after the initial work) the records held by the directorate should be disposed of in an appropriate manner (e.g. shredded).

7 Benefits of Obtaining Authorisation under RIPA.

7.1 Authorisation of surveillance and human intelligence sources

RIPA states that

- if authorisation confers entitlement to engage in a certain conduct and
- the conduct is in accordance with the authorisation, **then**
- it shall be "lawful for all purposes".

However, the corollary is not true – i.e. if you do **not** obtain RIPA authorisation it does not make any conduct unlawful (e.g. use [of intrusive surveillance](#) by local authorities). It just means you cannot take advantage of any of the special RIPA benefits.

- 7.2 RIPA states that a person shall not be subject to any civil liability in relation to any conduct of his which -
- a) is incidental to any conduct that is lawful by virtue of authorisation; and
 - b) is not itself conduct for which an authorisation is capable of being granted under a relevant enactment and might reasonably be expected to have been sought in the case in question

8 Scrutiny and Tribunal

- 8.1 To effectively police RIPA, Commissioners regulate conduct carried out under thereunder. The Chief Surveillance Commissioner will keep under review, among others, the exercise and performance by the persons on whom are conferred or imposed, the powers and duties under the Act. This includes authorising [directed surveillance](#) and the use of [covert human intelligence sources](#).

APPENDIX 1.

Definitions from RIPA

- **“Confidential Material”** consists of:
 - a) matters subject to legal privilege;
 - b) confidential personal information; or
 - c) confidential journalistic material.
- **“Matters subject to legal privilege”** includes both oral and written communications between a professional legal adviser and his/her client or any person representing hi/her client, made in connection with the giving of legal advice to the client or in contemplation of legal proceedings and for the purposes of such proceedings, as well as items enclosed with or referred to in such communications. Communications and items held with the intention of furthering a criminal purpose are not matters subject to legal privilege (see Note A below)
- **“Confidential Personal Information”** is information held in confidence concerning an individual (whether living or dead) who can be identified from it, and relating:
 - a) to his/her physical or mental health; or
 - b) to spiritual counselling or other assistance given or to be given, and

which a person has acquired or created in the course of any trade, business, profession or other occupation, or for the purposes of any paid or unpaid office (see Note B below). It includes both oral and written information and also communications as a result of which personal information is acquired or created. Information is held in confidence if:

- c) it is held subject to an express or implied undertaking to hold it in confidence; or
 - d) it is subject to a restriction on disclosure or an obligation of secrecy contained in existing or future legislation.
- **“Confidential Journalistic Material”** includes material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to such an undertaking.

Note A. *Legally privileged communications will lose their protection if there is evidence, for example, that the professional legal adviser is intending to hold or use them for a criminal purpose; privilege is not lost if a professional legal adviser is properly advising a person who is suspected of having committed a criminal offence. The concept of legal privilege shall apply to the provision of professional legal advice by any agency or organisation.*

Note B. *Confidential personal information might, for example, include consultations between a health professional or a professional counsellor and a patient or client, or information from a patient’s medical records.*

APPENDIX 2.

1. RIPA 2000 PART II **APPLICATION** FOR AUTHORITY FOR DIRECTED SURVEILLANCE
2. RIPA 2000 PART II APPLICATION FOR **RENEWAL** OF DIRECTED SURVEILLANCE
3. RIPA 2000 PART II APPLICATION FOR **CANCELLATION** OF DIRECTED SURVEILLANCE
4. RIPA 2000 PART II **REVIEW** OF DIRECTED SURVEILLANCE
5. RIPA 2000 PART II APPLICATION FOR **CHANGE OF CIRCUMSTANCES** OF DIRECTED SURVEILLANCE

APPENDIX 3

Management arrangements for CHIS

[From RIPA, section 29(5)]

- a) that there will at all times be a person holding an office, rank or position with the relevant investigating authority who will have day-to-day responsibility for dealing with the source on behalf of that authority, and for the source's security and welfare;
- (b) that there will at all times be another person holding an office, rank or position with the relevant investigating authority who will have general oversight of the use made of the source;
- (c) that there will at all times be a person holding an office, rank or position with the relevant investigating authority who will have responsibility for maintaining a record of the use made of the source;
- (d) that the records relating to the source that are maintained by the relevant investigating authority will always contain particulars of all such matters (if any) as may be specified for the purposes of this paragraph in regulations made by the Secretary of State; and
- (e) that records maintained by the relevant investigating authority that disclose the identity of the source will not be available to persons except to the extent that there is a need for access to them to be made available to those persons.

The matters specified in paragraph (d) are the following (see The Regulation of Investigatory Powers (Source Records) Regulations 2000)

:

- (a) the identity of the source;
- (b) the identity, where known, used by the source;
- (c) any relevant investigating authority other than the authority maintaining the records;
- (d) the means by which the source is referred to within each relevant investigating authority;
- (e) any other significant information connected with the security and welfare of the source;
- (f) any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information in paragraph (d) has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source;
- (g) the date when, and the circumstances in which, the source was recruited;
- (h) the identities of the persons who, in relation to the source, are discharging or have discharged the functions mentioned in section 29(5)(a) to (c) of the 2000 Act or in any order made by the Secretary of State under section 29(2)(c);
- (i) the periods during which those persons have discharged those responsibilities;
- (j) the tasks given to the source and the demands made of him in relation to his activities as a source;
- (k) all contacts or communications between the source and a person acting on behalf of any relevant investigating authority;
- (l) the information obtained by each relevant investigating authority by the conduct or use of the source;
- (m) any dissemination by that authority of information obtained in that way; and
- (n) in the case of a source who is not an undercover operative, every payment, benefit

or reward and every offer of a payment, benefit or reward that is made or provided by or on behalf of any relevant investigating authority in respect of the source's activities for the benefit of that or any other relevant investigating authority.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT COMMITTEE	21 JUNE 2012	6

REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS

Public/Exempt item

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

Summary

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to March 2012, there were no authorised operations. In the quarter to June 2012, there was one authorised operation.

Recommendation/s

1. Note the information in the report.

Cabinet portfolio

The item falls within the following cabinet portfolio[s]: Finance & resources: (Councillor Karen Buckley).

Report

The RIPA framework

1. The Regulation of Investigatory Powers Act 2000 ("RIPA") regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.

Continued....

2. Fylde Borough Council is therefore included within RIPA framework with regard to the authorisation of both directed surveillance and of the use of covert human intelligence sources.
3. Directed surveillance includes the covert surveillance of an individual in circumstances where private information about that individual may be obtained. A covert human intelligence source (“CHIS”) is a person who, pretending to be someone that they are not, builds up a relationship of trust with another person for the purpose of obtaining information as part of an investigation.
4. Directed surveillance or use of a CHIS must be authorised by the chief executive or a director. All authorisations are recorded centrally by the Head of Governance.
5. Regulations under RIPA require councillors to consider a report on the use of RIPA at least quarterly.
6. This is the required quarterly report on the use of RIPA. The information in the table below is about authorisations granted by the council during the quarters concerned.

Quarter	Directed surveillance	CHIS	Total	Purpose
Jan – Mar 2012	0	0	0	
Mar - Jun 2012 ¹	1	0	1	Preventing or detecting crime: Benefit fraud

IMPLICATIONS

Finance	No direct financial implications. This work will be delivered within existing revenue budget resources.
Legal	<p>The report is for the information of councillors and is produced to comply with the council’s obligations under the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010.</p> <p>The council is only able to authorise surveillance under RIPA if it is for the purpose of preventing or detecting crime or preventing disorder.</p>
Community Safety	An authorising officer should consider any community safety issues among the other relevant factors in deciding whether to authorise surveillance.
Human Rights and	None arising directly from this report.

¹ Correct at the time the report was written. Any update will be reported verbally at the meeting and in writing in the next quarterly report.

Equalities	
Sustainability	None arising directly from this report.
Health & Safety and Risk Management	None arising directly from this report.

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	24 May 2012	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
None		

REPORT



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT COMMITTEE	21 JUNE 2012	7

RISK MANAGEMENT ANNUAL REPORT

Public item

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

Summary

The report summarises the year end report on the 2011- 2012 Risk Register Action Plans, and the work undertaken by the Council's Risk and Emergency Planning Officer in producing the Strategic Risk Register for 2012 – 2013.

The report links principally to the Corporate Objective - "To meet the expectations of our customers".

Recommendations

It is recommended that the year end report of the progress made on the 2011-2012 Risk Action plans be considered and appropriate comments made.

It is recommended that the Strategic Risk Register for 2012-2013 is approved

Executive Portfolio

The item falls within the following executive portfolio: Finance & Resources (Cllr Karen Buckley)

Report

1 Introduction

1.1 In May 2003, a strategic risk management exercise was conducted for the Council by Zurich Municipal Management Services (ZMMS). The exercise was an opportunity to identify, analyse and prioritise risks that may affect the ability of the Council to achieve its corporate objectives. It also formed part of the Council's

corporate governance requirement to manage its risks. This work was not designed to be a one-off initiative but rather something that the Council could take forward in the long term as part of its risk management strategy, by embedding the process within the existing planning processes.

1.2 Since 2004, the review of strategic risks has been conducted each year by Council's Risk & Emergency Planning Officer and Head of Internal Audit. Both officers work as a team to undertake an exercise, which identifies key strategic risks facing the organisation and prioritising these risks.

1.3 The Audit Commission advises that there should be both member and officer involvement in the risk identification exercise. In 2012, this exercise involved both the Chief Officers Management Team, Leader & Deputy Leader of the Council, and Chairman & Vice Chairman of the Audit Committee.

1.4 It is a requirement of the Audit Commission that the strategic risks facing the council are reviewed on an annual basis.

2 Strategic Risk Register 2011-2012

2.1 Following the risk identification and prioritisation stage in each year, a risk register is produced as a result. This register identifies a number of actions required to reduce the likelihood of the risk occurring.

2.2 These actions are monitored throughout the year by the Strategic Risk Management Group (SRMG). There were 49 such actions identified in the 2011-2012 Risk Register. The number of tasks completed in full was 33, this representing 67% of the total number of actions due for completion by the end of the year. Of the 16 remaining actions, 9 were discontinued due to changes affecting the risks involved (FBC Solutions/joint working with Preston CC) and 2 are not due for completion until later in 2012. Taking these actions into account the overall completion rate would be 90%. Of the 5 remaining actions 4 relate to the disposal of council assets to fund the Accommodation project (these are in respect of the sale of Derby Rd, St Davids Rd Nth Depot and the Public Offices and the tendering of the Town Hall works). These issues are picked up in the 2012-13 Risk Action Plan for Accommodation. The final action due was in relation to the Spatial Options in the LDF action plan. This action should be completed by the end of June and has been incorporated into the 2012-13 Risk Action Plan for Planning/LDF.

3 Review of the Risk Management Strategy

3.1 As mentioned in the introduction above the Audit Commission recommends that the Council reviews its risk management strategy on an annual basis and that the revised document is adopted by the Audit Committee.

3.2 The Internal Audit Team carried out a substantial Internal Audit Review of the Risk Management Service operated by the Council in 2011. A revised Risk Management Strategy was presented to the September 2011 meeting of the Audit Committee for approval. As the current version of the Risk Management Strategy

has only been in place since September 2011, a further review will not be undertaken until 2013.

4 Risk Register – 2012-2013

4.1 The risk register for 2012-2013 is attached (Appendix 1). The strategic risks and risk champions for each risk are:

Strategic Risk	Risk Champion
Accommodation	Director of Development Services
IT	Chief Financial Officer
Performance Management	Chief Executive
Planning/LDF	Director of Development Services
Organisational Management	Chief Executive
Governance	Director of Resources

4.2 Each individual risk action identified in the Risk Register is recorded to enable it to be monitored through to its successful completion. There are 57 actions included in the 6 Risk Action Plans, and progress reports on completion of the risk actions are made to the SRMG.

Implications	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and which includes arrangements for the management of risk. The Use of Resources Judgement (assessment undertaken by External Audit) includes a section on Risk Management. Risk Management is included as a key part of the Internal Control assessment.
Legal, human rights and equalities	The annual risk review forms a key part of the council's corporate governance arrangements.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit Cttee June 12
List of Background Papers			
Name of document	Date	Where available for inspection	

2012/1213 Risk Register

Risk Management Action Plan No: 1

Champion – Director of Development Services

Issue: Accommodation	Description: Successful completion of the Accommodation Project
Council Objective	Performance Places

Existing Controls in place
• Two sites about to be sold
• Agreed strategy for refurbishment inc. planning permission
• Bids on 3 rd site
• Lease costs & proposals for Depots
• Negotiations for acquiring additional depot at Snowden Rd
• Regular accommodation project meetings
• Select list for consultants

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Complete sale of 3 sites	PLW/GS	<ul style="list-style-type: none"> • Contracts signed for St David's road & Derby road • Cabinet resolution for sale of Public Offices • Contract signed for sale of Public Offices • Completion of contract of St David's road and Derby road • Completion of contract of Public Offices 	Jun 12 Jun 12	June12 May12 Jul 12 Oct 12 Jan 13
Finalise depot requirements/solution inc costs	Man Team/GS	<ul style="list-style-type: none"> • Agreement of strategy to accommodate operational depot requirements • Report to Cabinet • Procure alternative facilities <p>Details of this dependent upon the nature of the decision taken above</p>	May 12	Jun 12 Jun 12 Sep 12

Appendix A

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Town Hall refurbishment	PLW/AD	<ul style="list-style-type: none"> • Finalise floor plans • Accommodation Working Group agree to appointment of project manager/QS • <hr/> <p>THE FOLLOWING ACTIONS AND DATES ARE DEPENDANT UPON A DECISION BEING TAKEN TO PROCEED BY THE AWG IN JUNE</p> <ul style="list-style-type: none"> • Report presented to Cabinet for approval • Report presented to Council for comment • Appoint project manager/QS to work up draft scheme and tender the work • Procure temporary office accommodation including One Stop Shop • Report to Cabinet for final approval • Let contract for refurbishment works • Decanting • Commence refurbishment contract 	<p>June 12</p>	<p>Apr 12</p> <p>Jun 12</p> <p>Jun/July 12</p> <p>July 12</p> <p>Aug to Dec 12</p> <p>Dec 12</p> <p>Jan 13</p> <p>Feb13 Jan to March 13</p> <p>March 13</p>

2012/13 Risk Register

Risk Management Action Plan No: 2

Champion – Chief Financial Officer

Issue: IT	Description: Development of IT service
Council Objective	Performance

Existing Controls in place
<ul style="list-style-type: none"> • Exploring shared service opportunities • Attempting to secure external resources • Filling vacant post – fully staffed team in place soon • SOCITM review

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Independent assessment of network & server environment	POD/TM	Independent review of IT systems, processes, and infrastructure across the Council commissioned	One-off	Dec 12
Make sure budget is fully utilised	AM	Outturn variances for the IT function are minimised	Annually	Mar 13
Rolling replacement plan – hardware/software/servers	AM	Rolling replacement plan to be established following results of independent review of IT	Annually	Mar 13
Mobile/Home/Remote working solutions	AM	Mobile/Home/Remote working plan to be established following results of independent review of IT	Annually	Mar 13
Review all legacy systems & contracts	POD/TM	To be completed as part of independent review of IT	One-off	Mar 13
Review potential of new workflow solutions	POD/TM	To be completed as part of independent review of IT	One-off	Mar 13
Staff development & training	AM	Staff development plans to be completed as part of annual appraisal program.	Annually	Sep 12

2012/1213 Risk Register

Risk Management Action Plan No: 3

Champion – Chief Executive

Issue: Performance Management	Description: Improving performance management and customer satisfaction
Council Objective	Performance People

Existing Controls in place
• Collect data and feedback
• Benchmarking Clubs
• CIPFA Profiles
• Regional Networks
• New PM System
• Hotspot/PM reports to O&S
• Corporate Group

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Co-ordinate performance measures through corporate officer under new structure	CEX	Corporate post in place for 1 April 2012 Corporate system and procedures republished	Six Month	Apr12 Jun12
Fundamental review of what's important locally / What members want to see – satisfaction levels?	Alex Scrivens	Research completed New indicators developed / agreed	Quarterly	Jul 12
Review and better use of existing data – measurement	Alex Scrivens	Revised indicators agreed	Quarterly	Jul12
Revise Performance Management framework – re-launch	CEX	New framework published and implemented	Six Month	Sep 12

2012/1213 Risk Register

Risk Management Action Plan No: 4

Champion – Director of Development Services

Issue: Planning /LDF	Description: Completion of the Planning LDF & Water Management
Council Objective	Performance Places People

Existing Controls in place
• Detailed plan/resources in place
• Assistance of Planning Advisory Services
• Vision for Borough
• Agreement of issues for Borough
• Agreed number of development options for Housing
• Fylde Peninsular Water Management group
• Draft Blackpool and Fylde Coast Protection Strategy

Required management action/control	Responsible for action	Critical success factors & KPI's	Review Frequency	Key Dates
Progression of the Local Plan	PLW/ME/JG	<ul style="list-style-type: none"> • Complete sustainability appraisal of options • Agree draft issues and options document • Undertake consultation on Spatial Options • Consider representations received • Draft out policy responses and prepare Preferred Option • Undertake consultation on Preferred Options • Publication 	<p>Jul 12</p> <p>Sep 12</p>	<p>Apr 12</p> <p>Apr 12</p> <p>Jun – Jul 12</p> <p>Aug – Nov 12</p> <p>Dec 12 to Apr 13</p> <p>May / Jun 13</p> <p>May / Jun 14</p>
Coast Protection Strategy	PLW/AD	<ul style="list-style-type: none"> • Strategic appraisal report (StAR) accepted by National review group • Seek funding for progression of PAR Project Appraisal Report • Scope/Tender/Commence work on PAR 	Jul 12	<p>Jul 12</p> <p>Oct 12</p> <p>Dependant upon success of seeking funding</p>
Consideration of water management issues	AD/SB	<ul style="list-style-type: none"> • Attend meetings of Fylde Peninsular Water Management Group 		Ongoing

2012/1213 Risk Register

Risk Management Action Plan No: 5

Champion – Chief Executive

Issue: Organisational Management	Description: Ensuring that the reorganisation of the establishment is successful
Council Objective	Performance

Existing Controls in place
<ul style="list-style-type: none"> • Restructure • Developed competencies • Salary Sacrifice • Discovering Leadership programme • Rising Stars Group

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Decision on Salary Sacrifice	CEX / Leader with Section 151 approval	Delivery of identified payroll efficiencies savings – hitting the budgets	Quarterly	Dec 12
Articulate & demonstrate competencies (Clarity)	Senior Management	Clear evidence of required behaviours Integration and understanding of the competencies Evidence from feedback of the behaviours being practiced	Monthly via Grapevine	Apr 12 Sep 12 Dec 12
Recognition & Reward	Senior Management	Implement recognition and reward systems and behaviours	Quarterly	Mar 13
Development opportunities for staff (coaching / mentoring included)	Senior Management	Allocation of development budgets Completion of training	Six Monthly	Mar 13
Meet the CEO	CEX	Beneficial outcomes from meetings	Monthly	Apr 12
Continue communications improvements	CEX	Regular review and appraisal of communications during the year. Evidence of continued improvement	Quarterly	Mar 13
Review of appraisal process	CEX / HR	New system in operation	Annual	May 12
Formal & informal team building i.e. Corporate Games	Senior Management	Implement initiatives / systems and articulate outcomes	Annual	Mar 13
Engage staff on how their service will move forward	Senior Management	Evidence of post restructure arrangements agreed	Quarterly	Aug 12

2012/1213 Risk Register

Risk Management Action Plan No: 6

Champion – Director of Resources

Issue: Governance	Description: Ensuring that governance procedures are fit for purpose
Council Objective	Performance

Existing Controls in place
• Localism Act
• Cross-Party Governance working group
• Cross-Party Agreement to review Governance system
• Melton Grove Governance Recommendations
• Independent review of constitution Recommendations
• Change in standards regime
• Reviewed monitoring officer roll
• Re-established Parish liaison
• Three Tier Forum

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Track & monitor commencement orders (Acts)	Ian Curtis	Council not disadvantaged by being unaware of legislation of which it needs to comply with	Monthly	Ongoing 12/13
Briefing MT on Localism Act	Ian Curtis / Mark Evans	Briefing delivered & awareness raised		Jun 12
Cross-Party agreement on governance system they want – variation of cabinet system or executive or committee system & consideration of O&S Arrangements	Tracy Morrison	Report prepared with options presented		Apr 12
Report on governance review to Council	Tracy Morrison	Report to Council – 30/7/12		Jul 12
Melton Grove recommendations clearly dealt with and addressed	Tracy Morrison	Report presented to Audit Cttee Mar 12 update report requested to Audit Cttee 21/6/12		Jun 12
By 1/7/12 new framework in place for standards: revised code of conduct and investigation procedures	Tracy Morrison	New framework in place		Jul 12
Parish liaison - Monitoring	Allan Oldfield	Briefing notes produced after each Parish Liaison meeting	Bi-monthly	Ongoing 12/13
Lead on Three Tier Forum	Clare Platt / Paul Walker	Maximum benefit derived from Three Tier Forum & information disseminated to council colleagues	3 meetings per year	Ongoing 12/13

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	21 JUNE 2012	8

INTERNAL AUDIT ANNUAL REPORT 2011-12

Public Item

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

Summary

The report provides an opinion on the effectiveness of the Council's system of internal control in support of the Annual Governance Statement. It also summarises the work undertaken by internal audit from April 2011 to March 2012 and performance information for the same period.

The report meets the Head of Internal Audit's responsibility under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Recommendation

1. To approve the annual report of the Head of Internal Audit
2. To note the Internal Audit opinion that reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council

Reasons for recommendation

The report is principally informative and provided for the purpose of assurance.

Alternative options considered and rejected

In accordance with the Audit Committee's terms of reference, no other course of action is available to the Committee

Cabinet Portfolio

The item falls within the Finance & Resources portfolio (Councillor Karen Buckley)

Continued...

1 Introduction

1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of the Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance upon in its assessment of the internal control system.

1.2 Definition of Internal Audit

Internal audit operates in compliance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The definition of internal audit, as described in the Code, is set out below:

- ♦ Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its 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.
- ♦ Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

1.3 Purposes of the Report

1.3.1 The statutory Code of Practice for Internal Audit in Local Government in the United Kingdom requires that the Head of Internal Audit must provide a written report to those charged with governance, timed to support the Annual Governance Statement.

1.3.2 The Head of Internal Audit's annual report to the organisation must:

- Include an opinion on the overall adequacy and effectiveness of the organisation's control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets
- Comment on compliance with the standards (the Code of Practice) and communicate the results of the internal audit quality assurance programme

1.3.3 The report also summarises the activities of internal audit for the financial year 2011-12 to provide managers and members with the opportunity to review the service provided to the Council.

2 The Statement of Assurance

2.1 Context

2.1.1 The Council's internal auditors are required to provide the Audit Committee with assurance on the system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Audit Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

2.1.2 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.2 Internal Audit Opinion

2.2.1 We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, internal control and governance processes.

2.2.2 In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2012, reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes that are in place to achieve the objectives of the Council. There were no qualifications to the opinion.

2.2.3 The evidence to support the opinion is contained within this report.

2.3 Scope of the Internal Audit Opinion

2.3.1 In arriving at our opinion, we have taken into account:

- ♦ The results of all internal audits undertaken during the year ended 31 March 2012 (see Table Two for details of the opinions given during the year);
- ♦ The results of follow-up action taken in respect of audits completed;
- ♦ Whether or not any fundamental or significant recommendations have not been accepted or implemented by management and the consequent risks;
- ♦ The results of external audit work during the year and any concerns expressed by the External Auditor;
- ♦ The results of any other external inspection or assessment
- ♦ The effectiveness of the Council's risk management arrangements
- ♦ The effectiveness of the Council's governance arrangements, including internal audit

2.4 Basis of the Opinion

2.4.1 In reaching this opinion the following factors were taken into particular consideration:

External Audit Work during 2011/12

2.4.2 The main part of the external auditor's work relates to the Council's financial accounts. The external auditor's Report to Those Charged with Governance for 2010/11, which was reported to the meeting of the Audit Committee on 22 September 2011, noted an improvement in the quality of the accounts and the supporting working papers. It also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2.4.3 The Annual Audit Letter, presented to the 26 January 2012 meeting, reported that an unqualified opinion on the Council's accounts was issued.

2.4.4 The Certification of Grants and Returns Report, reported to the 29 March 2012 committee, summarised the outcomes of the external auditor's certification work. An unqualified certificate was issued for two grants but qualification was necessary for one claim as a result of a single underpayment of housing benefit that was identified.

Other External Inspection

2.4.5 There was a review by the Office of the Surveillance Commissioners in relation to the operation of the Regulation of Investigatory Powers Act 2000. The inspector commented that the Council had a sound, robust structure in place with good policies, procedures and training. There were two recommendations arising from the inspector's work, which have been implemented.

Risk Management

2.4.6 The Council's risk management framework is established by the Risk Management Strategy. It provides information on the approach, responsibilities, processes and procedures and sets the context in terms of how risks will be identified, profiled, managed and reviewed. The Strategic Risk Management Group is fundamental to the process and meets to ensure risk management remains high on the corporate agenda. There is also regular reporting to the Audit Committee, the elected member committee with responsibility for risk management.

2.4.7 An audit of the risk management process carried out during 2010/11 and an action plan with twelve agreed actions was agreed. At the time of writing all but one have been implemented and the remaining action is scheduled for completion this month. The implementation of the audit recommendations means that substantial reliance can reasonably be placed on the effectiveness of the Council's risk management arrangements.

Governance

2.4.8 A self assessment exercise was undertaken by the Chair and Vice Chair of the Audit Committee in relation to the effectiveness of the Committee. The main conclusion drawn from the self assessment was that the Audit Committee had the framework in place to act effectively and did so in practice. There were no new issues arising from the review, which was presented to the committee on 23 June 2011.

2.4.9 The Head of Internal Audit is a member of the Corporate Governance Group, which is charged with the compilation of the annual governance statement and improvement plan. As part of standard internal audit work, the corporate governance framework was also reviewed against the CIPFA/Solace Good Governance Framework and there were no fundamental weaknesses or exceptions to report. Some areas for improvement or development are included in the 2012 Annual Governance Statement.

Internal Audit

2.4.10 The Accounts and Audit Regulations 2011 state that each local authority "must, at least once in each year, conduct a review of the effectiveness of its internal audit". The regulations go on to state that the findings of this review should be considered by a committee of the relevant body as part of the wider consideration of the Council's system of internal control.

2.4.11 The guidance relating to the assessment of internal audit allows for different methods of review. The expected understanding is that reviews of internal audit by external audit will take place triennially. In other years the spirit of the regulations points to an independent review conducted externally where possible. However, this needs to be balanced against the practicalities either in terms of cost or the resources required to undertake a reciprocal external review each year.

2.4.12 Therefore, the following approach has been adopted for each three year period:

Year 1 - Assessment by external audit

Year 2 - Self assessment via the checklist with independent and reciprocal peer review
 Year 3 - "Light touch" approach – review checklist and the completion of any actions outstanding from the previous reviews

2.4.13 Year 1 of this cycle was reached in 2011-12 and consequently an assessment exercise was carried out by external audit. Confirmation of enhancements adopted to better achieve compliance with the Code of Practice was provided, and no further recommendations arose. A report of this exercise was presented to the Audit Committee on 23 June 2012.

Internal Control

2.4.14 The Accounts and Audit Regulations 2011 require local authorities to conduct a review at least once in a year of the effectiveness of its system of internal control. This section of the report provides an opportunity for the Committee to consider the work of Internal Audit and whether the outcomes provide evidence of a satisfactory level of internal control within the organisation.

2.4.15 During the financial year 2011-12 twenty one (21) reports were issued including four that were substantially completed at year-end. All have been accepted by management and in all cases action plans are now in place. The agreed reports and action plans are available to view via the Audit Work page on the Intranet.

2.4.16 We categorise recommendations arising from audit work as high, medium or low priority. High indicates a significant control weakness that may lead to material loss, exposure to fraud or failure to meet regulatory requirements. Medium suggests a less important vulnerability not fundamental to system integrity. Low priorities relate to good practice improvements or enhancements to procedures that merit management attention.

2.4.17 We also measure the overall level of assurance based on the adequacy and effectiveness of internal control in a system on a five-point scale. Table One sets out the assurance levels and definitions as follows:

Table One: Levels of Assurance

Level	Definition
5 Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
4 Substantial Assurance	While there is basically a sound system of control, there are some minor weaknesses, which put some of the system objectives at risk
3 Moderate Assurance	While there is on the whole a sound system of control, there are some more significant weaknesses that may put some of the system objectives at risk
2 Limited Assurance	There are significant/serious weaknesses in key areas in the systems of control that put the system objectives at risk
1 No Assurance	The control framework is generally weak leaving the system open to significant error or abuse

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

Table Two: Reports, Risk & Assurance

Audit Area	High Risks	Medium Risks	Low Risks	Assurance Level
Risk Management ¹	-	8	4	Moderate
Housing & Council Tax Benefits ¹	-	6	1	Substantial

Housing Benefits GCSx ²	-	1	-	-
Penetration Testing ³	-	-	1	-
Cash Collection (Central)	-	1	2	Full
Cash Collection (Remote) ²	-	2	1	-
Treasury Management	-	-	2	Full
Bribery Act (Governance) ⁴	-	1	2	-
Bribery Act (Contracts) ⁴	-	1	2	-
Bribery Act (Payroll) ⁴	-	-	1	-
Bribery Act (Anti-Fraud) ⁴	-	1	3	-
Car Parking	3	12	5	Moderate
Cheque Production (Main)	1	4	4	Substantial ⁵
Cheque Production (Stock) ²	-	-	1	-
Forensic Readiness	1	-	-	-
Cemetery & Crematorium	-	4	4	Substantial
Main Accounting	-	1	1	Substantial
Housing Grants ⁶	1	5	4	Moderate
FMS - Fuel & Payments ⁶	1	4	9	Moderate
FMS - Fuel & Payments (Finance) ⁶	-	2	-	Moderate
Post Opening ⁶	-	2	4	Substantial
Total	7	55	51	

¹ Reviews from 2010/11 finalised in 2011/12

² Additional/Subsidiary action plan

³ Review performed externally

⁴ Risk assessment against standard

⁵ Assurance rating increased by one level

⁶ Finalised after year-end

2.4.19 Table Three shows both the average and main system assurance scores for those systems reviewed by Internal Audit over the last five years and the average for the same period:

Table Three: Assurance Ratings

Audit Area	2007/08	2008/09	2009/10	2010/11	2011/12	Average
All Reviews Average	3.4	3.1	3.5	3.3	3.7	3.4
Main Financial Systems:	3.7	3.4	3.8	4.2	4.2	3.9
<i>Business Rates</i>	4.3	3.8	*	4.5	*	4.2
<i>Cash Collection</i>	3.5	3.5	3.8	3.8	3.8	3.7
<i>Council Tax</i>	4.3	3.8	4.0	*	~	4.0
<i>Creditors</i>	2.9	2.9	4.0	4.4	*	3.6
<i>Housing Benefits</i>	4.8	4.1	*	4.0	*	4.3
<i>Main Accounting</i>	*	3.5	3.5	*	4.3	3.8
<i>Payroll</i>	3.0	3.0	3.4	3.6	*	3.3
<i>Sundry Debtors</i>	3.9	3.3	4.0	4.6	*	4.0
<i>Treasury Management</i>	2.8	2.4	4.2	*	4.6	3.5

* Not Undertaken

~ Reviewed via FCAT

2.4.20 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 3.7. Main financial systems had a better average score of 4.2. The 'All Reviews' figure shows not only a clear improvement compared to last year but is the highest average assurance

score achieved in the five year period. In the case of the 'Main Financial Systems' the figure equals that achieved in the previous year, which also represents the highest average score.

2.4.21 Both the 'All Reviews' and 'Main Financial Systems' scores equate to substantial assurance. Taken together they indicate that overall there is a basically sound framework of control in place but some weaknesses may put certain system objectives at risk.

2.4.22 There were seven important internal control weaknesses brought to the attention of management during the year and two brought forward from 2010/11, both of which are now completed. Dates for remedial actions to be in place were agreed with management for all of them.

2.4.23 Table Four sets out the issues, the responsible Directors and the current position or date for resolution.

Table Four: High Priority Risks Identified

Risk	Director	Resolution Date
1. An action plan should be developed to address areas of data security weakness that may be identified	Corporate	Completed
2. Annual system upgrades and bug fixes were not carried out as required by contract terms	Customer & Operational	Completed
3. The current service charges and a signed contract for car park machine maintenance will be sought and retained	Development Services	Completed
4. Arrangements for car park cash collection and ticketing will be formalised in a signed contract and retained	Development Services	Mar 12 Jun12
5. Arrangements for penalty notice administration will be reviewed and updated in a signed contract and retained	Development Services	Mar 12 Jun12
6. Information about cancelled cheques will be transmitted by secure means to the Shared Revenues & Benefits Service	Resources	Completed
7. Develop and adopt a Forensic Readiness Policy as part of the Council's information governance arrangements	Resources	Completed
8. Two quotations from suitable contractors will be sought for housing grant work, except in the case of stair lift installations	Development Services	Jul 12
9. The volume/cost of fuel stocks will be reconciled to fuel issued and agreed with the accountancy team on a regular basis	Community Services	Sep 12

2.4.24 The present position in summary based on managers' advice and evidence available is as follows:

- Five risks have been addressed in full or substantially – numbers 1,2, 3, 6, 7
- Four actions have not yet reached the agreed date for resolution – numbers 4, 5, 8, 9

Follow Up

2.4.25 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Twenty nine (29) follow-up reviews were completed during the year. Table Five shows the total number of agreed recommendations that were implemented by managers.

Table Five: Agreed Recommendations Implemented

Audit Area **R e c o m m e n d a t i o n s**

	Total Agreed	Number Implemented	% Implemented
Previous Years' Reports			
IT Code of Connection	9	8	89%
Business Rates	3	3	100%
Sundry Debtors	4	4	100%
IT Applications Review	2	2	100%
Contracts & Tendering (Finance)	1	1	100%
Contracts & Tendering (Governance)	15	11	73%
Fraud Awareness	4	4	100%
Trade Waste	18	12	67%
Anti-Fraud & Corruption	6	6	100%
Payroll (HR)	12	12	100%
Sandwinning	6	4	67%
Dog Kennelling	15	15	100%
Payroll (Members)	1	1	100%
Asset Management	10	9	90%
Election Payments (Borough)	6	6	100%
Development Control	15	5	33%
Annual Leave/Flexitime	15	13	87%
Expenses	7	7	100%
Information Governance	7	7	100%
Mayoral Charity	7	4	57%
Forensic Readiness	1	1	100%
2011/12 Reports			
Cash Collection (Central)	3	3	100%
Housing Benefits GCSx	1	1	100%
Cheque Production (Stock)	1	1	100%
Bribery Act (Governance)	2	2	100%
Bribery Act (Contracts)	3	3	100%
Bribery Act (Payroll)	1	1	100%
Bribery Act (Anti-Fraud)	4	4	100%
Housing & Council Tax Benefits	7	7	100%
Total	186	157	84%

2.4.26 The overall implementation rate for all reports followed up in 2011/12 is 84.4% compared to last year's figure of 94.9.0%, which was the highest overall implementation figure achieved. This year's outcome is below the target of 90%.

2.4.27 In addition to the overall rate, the percentage of high and medium priority recommendations implemented is also measured. Table Six shows the total number of agreed high and medium recommendations that were implemented by managers. Those follow up reviews where no high or medium recommendations were made have been omitted from the table.

Table Six: High & Medium Recommendations Implemented

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	

Previous Years' Reports

IT Code of Connection	1	-	5	-	100%
Business Rates	-	-	3	-	100%
Sundry Debtors	-	-	2	-	100%
IT Applications Review	-	-	2	-	100%
Contracts & Tendering (Governance)	-	-	8	3	73%
Fraud Awareness	-	-	3	-	100%
Trade Waste	-	-	10	4	71%
Anti-Fraud & Corruption	-	-	6	-	100%
Payroll (HR)	-	-	5	-	100%
Sandwinning	2	-	2	2	67%
Dog Kennelling	-	-	13	-	100%
Payroll (Members)	-	-	1	-	100%
Asset Management	-	-	7	1	88%
Election Payments (Borough)	-	-	4	-	100%
Development Control	1	-	3	5	44%
Annual Leave/Flexitime	-	-	8	2	80%
Expenses	-	-	1	-	100%
Information Governance	5	-	2	-	100%
Mayoral Charity	-	-	1	3	25%
Forensic Readiness	1	-	-	-	100%

2011/12 Reports

Cash Collection (Central)	-	-	1	-	100%
Housing Benefits GCSx	-	-	1	-	100%
Bribery Act (Governance)	-	-	1	-	100%
Bribery Act (Contracts)	-	-	1	-	100%
Bribery Act (Anti-Fraud)	-	-	1	-	100%
Housing & Council Tax Benefits	-	-	6	-	100%
Total	10	-	97	20	84%

2.4.28 The classification of recommendations as 'high', 'medium' or 'low' priority indicates where resources might best be applied. The percentage of high and medium priority recommendations implemented in 2011/12 was 84.3% compared to last year's 93.1%. This result is almost identical to the overall rate and considerably below the target of 95%.

2.4.29 Table Seven shows both the overall and 'high/medium' priority implementation rates for those reviews followed up by Internal Audit over the last five years and the average for the same period:

Table Seven: Annual Implementation Rates

Category	2007/08	2008/09	2009/10	2010/11	2011/12	Average
Overall Implementation %	82.6	78.5	92.0	94.9	84.4	86.5
High/Medium Implementation %	80.5	75.4	93.3	93.1	84.3	85.3

2.4.30 Following the excellent results of the previous two years, rates of implementation by managers have declined. For 2011/12 both the annual overall rate of implementation and the percentage of high and medium priority recommendations implemented ranked at the mid-point for the five year period. Both were marginally below the five-year average score.

3 Other Internal Audit Work

3.1 Special Investigations and Counter Fraud Work

Investigations

3.1.1 During the year the audit team commenced two special investigations into allegations of fraud and corruption. Both arose as a result of information received from a member of the public. There was no whistleblowing by employees during the year.

3.1.2 The first investigation resulted in disciplinary action against the employee concerned. The second investigation was ended when the allegation made was not supported by any evidence. The responsible Director was made aware of the issue raised.

3.1.3 Table Eight summarises the results of the various special investigations during April to December compared with the outturn for previous years.

Table Eight: Results of Fraud Investigations

Outcome	2007-08	2008-09	2009-10	2010-11	2011-12
Disciplinary action	4	3	-	-	1
Employee Resigned prior to conclusion	1	-	-	-	-
No evidence to support allegation	1	-	1	-	-
Inconclusive evidence	1	-	-	-	-
Investigation aborted	1	-	-	1	1
Police investigation, inconclusive	-	-	-	-	-
Standards Board referral, no action	-	-	-	-	-
Investigation Ongoing	-	-	-	-	-
Total	8	3	1	1	2

3.1.4 In addition to the two fraud investigations undertaken by the audit team, the Head of Internal Audit assisted the Council's external auditors in connection with elector questions relating to tendering procedures. This lengthy exercise commenced in the previous year and continued into 2011/12.

3.1.5 Only 7 days were taken up dealing with reactive fraud work the year. The fact that the incidence of reported fraud remains at such a low level suggests good standards of probity among Council employees, reinforced by the Council's zero tolerance commitment to fraud and corruption.

3.1.6 There were two non-fraud investigations undertaken at the request of management. One related to a data protection breach, which resulted in the delivery of training across the Council, and one concerned unprofessional conduct, which was resolved by management action.

National Fraud Initiative

3.1.7 The Head of Internal Audit has acted as key contact for the National Fraud Initiative data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and licensing information for a data matching exercise.

3.1.8 Savings generated to date from the current exercise are around £13,000 most of which will be ongoing in future years. The main savings in previous years were achieved in the area of

Council Tax with many Single Person Discounts (SPD) discontinued. This work is still ongoing with over 350 SPD cases currently under investigation.

Benefit Fraud

3.1.9 The Head of Internal Audit is responsible for overseeing the delivery of the benefit fraud service provided by Preston City Council. The shared benefit fraud service achieved remarkable success in 2011-12. Fraudulent overpayments of £274,243 were discovered, significantly exceeding the target and up from the previous year's figure of £195,407 - a 40% improvement. The service also delivered 59 sanctions including 19 prosecutions, an increase from 37 sanctions in 2010-11 – up by 59%.

3.1.10 During the year the shared benefit fraud service was recognised by the IRRV (Institute of Revenues, Rating and Valuation) as an exemplar of partnership working and was awarded the Institute's Gold Award.

Fraud Awareness

3.1.11 A 'fraud awareness' survey available to all employees was carried out to measure how embedded and understood the Council's counter fraud policies and ethical governance framework is. The results were encouraging with high levels of knowledge and confidence in the Council's arrangements providing substantial assurance.

Other Counter Fraud Work

3.1.12 In addition to the above, internal audit has undertaken the following counter fraud work, which is not an exhaustive list:

- developed a corporate anti-bribery policy to coalesce and promote the Council's approach to this area of fraud in the light of recent legislative developments
- prepared and submitted data and statistics to the National Fraud Survey 2011 of over 450 public sector bodies about a wide range of fraud and corruption issues, which seeks to assess the incidence of fraud and the effectiveness of responses to it
- completed Audit Commission Fraud & Corruption modules to highlight areas of potential fraud risk
- performed a 'fitness for purpose' check and comprehensive refresh of the Council's Anti-fraud & Corruption, Whistleblowing, Money Laundering and Sanction & Prosecution policies
- prepared articles for Grapevine highlighting whistleblowing and ethical conduct

3.2 Projects, Consultancy and Advice

3.2.1 This section summarises the range of services, beyond internal audit's assurance role. Such work is often requested by clients, rather than forming part of the risk-based audit function. Commonly, tasks will involve problem-solving issues as an aid to management for the enhancement of their service. The nature and scope of the work may include participation in projects, facilitation, process design, training, and advisory services, but this list is not exhaustive.

3.2.2 During the year internal audit has undertaken project work, provided advice or acted in a consultancy capacity in the following areas, which is not an exhaustive list:

- ♦ Corporate Governance - as part of the governance framework the Head of Internal Audit is a member of the Corporate Governance Group, which leads on the production of the Annual Governance Statement and the monitoring of the Corporate Governance Improvement Plan.
- ♦ Lowther Trust - assisted in the development of the proposed agreement between the Council and the Trust with regard to financial and other associated matters
- ♦ Forensic Readiness - prepared a draft framework policy for adoption to facilitate the collection, preservation, protection and analysis of digital evidence so that it can be effectively used in any legal, employment or disciplinary matters

- ♦ Strategic Risk Management - the annual exercise is currently in progress to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involves interviewing members of Management Team and senior councillors and facilitating a risk management day in conjunction with the Risk Management Officer
- ♦ Business Process Re-engineering – two internal auditors are trained members of the BPR Group and have contributed to several projects to raise the efficiency and effectiveness of Council operations within the context of a robust control framework

4 Performance of Internal Audit

4.1 Internal Audit Plan

4.1.1 A risk assessed annual audit plan was prepared for 2011-12 based on the resources available. The plan was agreed by the Management Team and received approval from the Audit Committee. The total number of days in the plan was 692, not including time for things such as holidays, sickness and training.

4.1.2 In the event the outturn figure was 708 days, an increase of 16 days as a result of the low sickness rate for the audit team and the results are set out in Table Nine.

Table Nine: Internal audit plan

Audit Activity	Plan days	% of total	Actual days	% of total
Main Financial systems	111	16.0	120	16.9
Strategic Risks	42	6.1	25	3.5
Operational Risks	100	14.4	137	19.4
Corporate Governance	20	2.9	22	3.1
Computer audit*	18	2.6	11	1.6
Anti-fraud audit	40	5.8	26	3.7
Other audit	17	2.5	14	2.0
Reactive audit	65	9.4	39	5.5
Communication & Consultancy	51	7.4	62	8.7
Management & Admin	160	23.1	163	23.0
Non-Audit Work	68	9.8	89	12.6
Total	692	100%	708	100%

* Does not include bought-in days

4.1.3 The analysis of outturn days shows that rather more time was spent on operational risks than was originally planned. This was largely caused by increased time spent on two of the audits undertaken. The greater increase was attributable to the car parking audit, which was found to have an unexpectedly complicated structure that resulted in extra days being needed for both the work plan and testing because of the multifarious elements involved. The large number of issues found required more time for both meetings with auditees and reporting. Additional time was also spent on the Cemetery and Crematorium audit partly because it was an off site review but also as a result of extra testing required to verify the audit trail for income and additional questions for research requested by management. The other main area that showed a greater expenditure of time than anticipated was Non-Audit Work. This was attributable to three factors – involvement in the successful Benefit Fraud excellence submission and presentation; the restructure proposals with implications for the audit team; and the office relocation requiring two separate moves.

4.1.4 There were two main areas where actual days totalled significantly less than planned – strategic risk and reactive work. The time saved in relation to strategic risk was as a result of not

completing the planned work in connection with the Procurement, which was slipped into the current year. The reactive work undertaken by the team is allowed for in the plan by a contingency and is wholly unpredictable. This year the contingency allowance was not fully required.

4.1.5 The percentage of the 2011/12 audit plan completed to 31 March was 93.4%, exceeding the 90% target for the year. However, taking into account the completion of ongoing audit work slipped into 2012/13 the annual rate now stands at 95.3% and further slippage work is currently ongoing.

4.2 Client Satisfaction

4.2.1 All audit reports issued include a client feedback questionnaire for the auditee to give their views on the different aspects of the audit. Table Ten sets out the questions and the responses received.

Table Ten: Summary of Client Feedback Questionnaires

Question	Average Score	Excellent %	Good %	Satis %	Fair %	Poor %
Audit review covered key control risks	88	78	11	11	-	-
Review was carried out in a timely and efficient manner	90	78	11	11	-	-
Auditors were polite, positive and professional	93	78	22	-	-	-
Involvement of auditee in the process was appropriate	91	78	11	11	-	-
Well structured and clear audit reporting	92	89	11	-	-	-
Findings and recommendations were accurate and useful	91	78	22	-	-	-
Review provided assurance or resulted in beneficial change	91	78	22	-	-	-
Average	91	80	16	5	-	-

4.2.2 The overall satisfaction rate was 91% just above the 90% target. In addition, it is pleasing to note that 96% of managers surveyed considered the audit service delivered to be either excellent or good.

4.3 Performance Indicators

4.3.1 In 2009 an exercise was carried out to canvass the views of stakeholders in developing a suite of performance indicators for internal audit. This was one of the enhancements to arrangements arising from the review of internal audit effectiveness.

4.3.2 Subsequently the Audit Committee adopted the seven indicators that had received the highest usefulness rating and established targets for achievement. Table Eleven sets out the targets for 2011/12, together with the actuals.

Table Eleven: Performance Indicators for Internal Audit

Performance Indicator	Target	Actuals 2010/11	Actuals 2011/12
IA1 % of audit plan completed	90%	96.4%	95.3%
IA2 % satisfaction rating indicated by post-audit surveys	90%	88.2%	90.8%
IA3 % of audit recommendations agreed with management	95%	98.6%	100%
IA4 % of agreed actions implemented by management	90%	94.9%	84.4%
IA5 % of 'High Priority' actions implemented by management	100%	100%	100%
IA6 % of 'High/Medium Priority' actions implemented by management	95%	93.1%	84.3%

IA7 % of recommendations implemented at initial follow up

75%

81.8%

52.1%

4.3.3 The first two performance indicators reflect specifically on the work and service of the internal audit team. The remaining indicators relate to the effectiveness of the audit service as a result of management's action or inaction.

Risk Assessment

This item is for information only and makes no active recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	21/06/12	

List of Background Papers		
Name of document	Date	Where available for inspection
Audit Plan 2011-12	March 2011	Internal Audit Office by arrangement
Audit reports & documents	Various	

IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2011 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.</p> <p>There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control (Accounts and Audit Regulations 2011)</p> <p>A number of audit projects carried out in 2011/12 related to finance, resource or property</p>
Legal	<p>The report also contributes towards the production of the Annual Governance Statement published each year by the Council.</p> <p>Effective audit and risk management enhance good governance and probity of Council action</p>
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and	None arising directly from this report

Environmental Impact	
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Annual Internal Audit report arises from that work and is an important element of the assurance process for the effectiveness of the Council's systems of internal control.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES	AUDIT COMMITTEE	21 JUNE 2012	9

INTERNAL AUDIT SHARED SERVICE

Public Item

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

Summary

This report advises the Committee of the proposal to enter into a shared internal audit service between Fylde Borough Council and Blackpool Council. The background to this proposal is explained together with the principles underlying the shared service concept. An initial assessment of the proposal is provided, which incorporates the key risks identified and suggested mitigation. The purpose of the report is principally informative but it also seeks feedback, input and comment from the Audit Committee.

Recommendation

1. To note the proposal for the Council to enter into a shared service agreement with Blackpool Council in relation to Internal Audit, subject to further detailed discussions and update reports as necessary. Member's views on the proposal would be particularly welcome.

Cabinet Portfolio

The item falls within the Finance & Resources portfolio (Councillor Karen Buckley)

Report

1 Background

1.1 In the current financial climate, the Council continues to face unrelenting pressure on its resources and challenges to the way in which it delivers services. As a response to these demands the Council actively considers opportunities to develop partnership working and shared service arrangements with other local authorities where there is a sound business case to do so.

1.2 The Council restructure of January 2012 identified Internal Audit as an area where potentially cost savings could be achieved and a potential partnership opportunity was identified with Blackpool Council for the delivery of a shared internal audit service.

1.3 Informal discussions have taken place between the responsible senior managers of both authorities and their initial consensual view is that this is potentially a beneficial option for both councils.

1.4 An initial project plan has been discussed and endorsed by Management Team subject to further negotiation and clarification in respect of the following issues:

- ♦ Financial - the potential budgetary efficiencies to be achieved from the process
- ♦ Resources - the proposed staffing levels, governance arrangements, structure and location of the audit teams
- ♦ Service Improvement - the level and breadth of the proposed service to be delivered under the new arrangement and the extent to which this will add value to the service currently provided

2 Internal Audit

2.1 Both Fylde and Blackpool Councils currently have in-house teams that are relatively small. The advantages of shared service working can potentially provide reduction of costs, increased efficiency and improvement in both quality and business resilience to the benefit of both partners.

2.2 The two Internal Audit teams have experienced a good working relationship in recent years following extensive joint working on shared services currently in place, including council tax, business rates, housing benefits, human resources, payroll and health & safety.

2.3 Fylde Borough Council currently employs 3.3 FTE in the internal audit team. It has been agreed that the Head of Internal Audit will take voluntary redundancy in November 2012 and it is proposed that the remaining staff will transfer to Blackpool Council under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), on the same terms and conditions as currently.

3 Proposed Principles underlying the Shared Service

3.1 A set of broad principles underpins the proposals for a shared service and these are set out below.

- ♦ Each Council would continue to have its own Audit Committee, operating to its own approved terms of reference, including approving the annual audit plan and monitoring the performance of internal audit against the plan.
- ♦ Blackpool Council would host the shared internal audit service and promote the shared service ethos and opportunities amongst the team, and Fylde audit staff would transfer under TUPE.

- ♦ There would be a single management structure with one Chief Internal Auditor who would head the Shared Service and operate on behalf of both Councils within agreed budgets and policies, in the best interests of the service and its users.
- ♦ The Chief Internal Auditor would draw on the pooled resources of the shared service to deliver the agreed audit plans and would be responsible for the management of staff, and for liaising with management and members.
- ♦ It is envisaged that the Chief Internal Auditor or deputy would attend all the meetings of Fylde Borough Council's Audit Committee.
- ♦ The service would operate in accordance with the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government.
- ♦ Costings are still being developed, as part of the consideration of the organisational structure, but will be considered as part of the final business case. The constraint is that the proposed service should save the Council not less than 10% of the current internal audit budget.
- ♦ Based on previous experience, to ensure a framework for planning and continuity, a 5 year agreement has been suggested.
- ♦ Subject to ultimate approval by both Councils, and to the appropriate legal agreements being put in place, the target date for 'go live' is October 2012.

4 Initial Assessment

4.1 The main drivers for the proposal are:

- ♦ the need to deliver efficiencies and cost savings for the Council across the full spectrum of services, including internal audit
- ♦ the need to ensure future service resilience and capacity so as to be able to maintain an effective and professional internal audit function in the face of potential problems in covering key staff and difficulties in being able to respond to changing priorities and workload demands
- ♦ the need to maintain a highly skilled and experienced staff by creating a greater critical mass and providing more opportunities for career development and specialism
- ♦ the need to make best use of the scarce professional audit expertise available, for example in terms of IT audit
- ♦ the need to further enhance the professional standards of the audit function so as to comply with current and future legislative, professional and regulatory requirements
- ♦ the need to establish an effective succession plan and to reduce the existing reliance on certain key staff for service continuity

4.2 The key benefits to both councils from the proposal are that potentially it will:

- ♦ help to deliver cost savings by sharing overheads, reducing unproductive time and securing greater economies of scale
- ♦ further enhance the focus on service delivery, professionalism and quality
- ♦ provide further scope to develop specialist audit skills and reduce the reliance on bought-in services
- ♦ reduce reliance on key members of staff for service continuity
- ♦ help to achieve a greater critical mass and hence to provide scope to further improve the resilience and capacity of the existing internal audit
- ♦ secure an improved career structure for staff, with increased variety of work and professional development opportunities

4.3 Below are the key risk areas for the proposal identified by the Fylde project group and internal audit team, together with appropriate mitigation actions:

Key Risk	Mitigation
1. The shared service does not perform to the required standard	Provide a robust in-house client function to monitor service performance

2. The Council does not achieve a fair share of service resources and Blackpool's priorities override Fylde's	<ul style="list-style-type: none"> ◆ Provide a robust in-house client function to monitor service performance ◆ The SLA needs to clearly specify the means by which Fylde's requirements and service levels are defined
3. There are leaks of personal data that breach the Data Protection Act 1998	Confirm Blackpool Council's Data Protection/Security arrangements are robust and properly enforced
4. Loss of control over senior appointment(s) within internal audit service	Address issue within SLA, e.g. place on an appointment panel
5. Ineffective performance of work currently undertaken by Fylde audit staff which is not transferred to Blackpool e.g. Benefit Fraud	Identify all tasks not being transferred with the service and decide how the service will be delivered in future e.g. cease, deliver in-house, buy-in
6. Short term diminution of service performance following initial transfer period – different systems, policies, people. Loss of knowledge store	<ul style="list-style-type: none"> ◆ Take account of issue in audit work programme to allow for learning curve during 'bedding-in' period ◆ Provide a robust in-house client function to ensure 'bedding-in' period is minimised and performance improves without undue delay
7. Increased response times for urgent Director consultation/investigation(s)	The SLA needs to specify acceptable response times for Director request for assistance e.g. 24 hours
8. Fylde risks and priorities are not properly reflected in a generic annual audit plan	<ul style="list-style-type: none"> ◆ The SLA must provide for Fylde BC management input into a specific annual audit planning process for Fylde Borough Council ◆ The SLA must include a requirement for an individual, tailored annual audit plan for Fylde BC
9. Proposals for outsourced service delivery do not offer the required reduction in costs sought by Fylde Borough Council	<ul style="list-style-type: none"> ◆ Determine the minimum acceptable level of savings required and negotiate robustly to achieve the best outcome ◆ Achieve the desired saving by alternative means within the terms of the SLA e.g. reduce audit hours required ◆ Be prepared to restructure the service in-house to achieve savings or seek an alternative provider
10. Current staff will be de-motivated in the lead-up period and initially after the transfer	<ul style="list-style-type: none"> ◆ Ensure the process is fully transparent such that staff are consulted at each gateway ◆ Consult with HR to ensure terms & conditions are protected via a TUPE transfer such that they are no less favourable than currently

5 Decision Making

5.1 The member decision making body for determining initially whether the proposal is approved 'in principle' and ultimately for adopting the establishment of a shared internal audit service is the Cabinet. Depending on the continuing negotiations and business case development, it is anticipated that a decision to proceed 'in principle' will be taken later this month.

6 Conclusions

6.1 The proposal for a shared internal audit service hosted by Blackpool Council could provide a robust audit arrangement, with the scope for improved performance within a reduced budget. The scale of the anticipated savings balanced against the possible improvements a shared service could bring is likely to be a key issue in the development of the final scheme.

6.2 The Audit Committee's views are sought, recognising that this report reflects a situation that is very much 'work in progress', and a decision in principle to develop a shared service arrangement has yet to be reached.

IMPLICATIONS	
Finance	<p>The Accounts and Audit Regulations 2011 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.</p> <p>There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control (Accounts and Audit Regulations 2011)</p>
Legal, human rights and equalities	Effective audit and risk management enhance good governance and probity of Council action
Community Safety	None arising directly from this report
Sustainability and Environmental Impact	None arising directly from this report

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	21 June 2012	

List of Background Papers		
Name of document	Date	Where available for inspection
1. Project Initiation Document	May 2012	Internal Audit Office by arrangement
2. Project Plan	May 2012	

REPORT



REPORT OF	MEETING	DATE	ITEM NO
HEAD OF AUDIT	AUDIT COMMITTEE	21 JUNE 2012	10

EFFECTIVENESS OF THE AUDIT COMMITTEE

Public Item

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

Summary

The report presents the findings of a self assessment exercise undertaken by the Chair and Vice Chair of the Committee in relation to the effectiveness of the Audit Committee. The self assessment compared existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

Recommendations

1. The Committee agrees the findings of the self assessment of the effectiveness of the Audit Committee against the checklist provided by the CIPFA better governance forum in their publication 'A Toolkit for Local Authority Audit Committees' undertaken by the Chair and Vice Chair of the Committee.

Reasons for recommendations

Adherence to CIPFA's Audit Committee Self-Assessment Checklist provides an indication as to the effectiveness of the committee and permits any divergence from the standard to be highlighted.

Alternative options considered and rejected

No other course of action is advocated.

Cabinet Portfolio

The item falls within the following executive portfolio[s]:
Finance & Resources (Councillor Karen Buckley)

Continued....

Report

1. The Audit Committee forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of corporate activity. The effectiveness of the Council's Audit Committee forms part of the evidence used in preparing the Annual Governance Statement for 2012.
2. An effective audit committee helps to raise the profile of internal control, risk management and financial reporting within the Council, as well as providing a forum for the discussion of issues raised by both internal and external auditors. It also enhances public trust and confidence in the financial governance of the Council.
3. Best practice guidance set out by CIPFA in its toolkit for Local Authority Audit Committees, recommends that committees periodically review their own effectiveness in discharging their responsibilities. The guidance incorporates an effectiveness self-assessment checklist to permit benchmarking against good practice.
4. The Chair and Vice Chair of the Audit Committee carried out the self-assessment review against the checklist, supported by the Head of Internal Audit. This is the fourth year that the effectiveness review has been undertaken and the report presents the results. The review will be re-performed annually to ensure the effectiveness of the committee is maintained.
5. The main conclusion that can be drawn from the self assessment is that the Audit Committee has the framework in place to act effectively and does so in practice.
6. There were two areas where partial divergence from the standard was noted. Both of these related to the independence of members in carrying out their functions as members of the Audit Committee.
7. Best practice guidance suggests that in order to preserve independence the Chair of the Audit Committee should not be a member of the Executive or be involved in the scrutiny function. Currently the Chair of Audit Committee is free of executive functions but serves on the Community Focus Scrutiny Committee although not as a Chair/Vice. This was not thought to impact seriously on the independence of the Chair.
8. In the case of other members of the Audit Committee, guidance suggests that none should be members of the Executive and ideally should independent of other committees. Presently two members act as Vice Chairs of scrutiny committees, one is Chair of a regulatory committee and one is Vice Chair of a regulatory committee. However, there was no evidence that the independence of the Audit Committee was undermined.
9. The self assessment checklist is attached as an Appendix to this report.

Risk Assessment

This item is for information only and makes no active recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	21/06/2012	

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	This will enhance good governance and probity
Legal	None arising directly from the report
Community Safety	None arising directly from the report
Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
Health & Safety and Risk Management	In completing a review of this nature the Council is compliant with best practice and the exercise demonstrates the effectiveness of the Audit Committee and forms part of the consideration of the system of internal control

AUDIT COMMITTEE – SELF ASSESSMENT CHECKLIST 2012

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Terms of Reference				
Have the committee's terms of reference been approved by full Council?	✓			The latest terms of reference for Audit Committee were confirmed by Council on 25 th July 2011. They are reviewed and updated where necessary on an annual basis.
Do the terms of reference follow the CIPFA model?	✓			The Terms of Reference were set up in line with the CIPFA core functions. Two significant additional functions have been added to the committee's role – approving the annual statement of accounts and advising the Council on changes to the Constitution. Furthermore, with effect from the above meeting the Statement of Purpose and the full Terms of Reference suggested by CIPFA have been adopted in full.
Internal Audit Process				
Does the committee approve the strategic audit approach and the annual programme of work?	✓			Audit Committee approves the internal audit strategy and also receives the annual Internal Audit plan for comment and approval.
Is the work of internal audit reviewed regularly?	✓			<p>Reports concerning the work of Internal Audit are presented to the Audit Committee by the Head of Audit twice yearly. The Audit Committee is provided with the percentage of agreed recommendations implemented both for each individual audit review and overall for the year in the annual report of the Head of Internal Audit. The Audit Committee has been proactive in seeking to increase the proportion of agreed recommendations implemented.</p> <p>The triennial review of Internal Audit was carried out by the Audit Commission in 2011/12, and reported to the Audit Committee on 26th January 2012.</p> <p>The annual review of the effectiveness of the system of Internal Audit is also presented to the Audit Committee.</p>

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are summaries of quality questionnaires from service managers reviewed?	✓			An analysis of the customer feedback survey forms is provided to Audit Committee as part of the Head of Internal Audit's annual report.
Is the annual report, from the Head of Audit, presented to the committee?	✓			The Annual report of the Head of Internal Audit is presented to the Audit Committee annually at the June meeting.
External Audit Process				
Are the reports on the work of external audit and other inspection agencies presented to the committee?	✓			Progress reports on the work of external audit are received by the Audit Committee. Other inspection agencies reports are reported to Audit Committee where appropriate.
Does the committee input into the external audit programme?	✓			The external audit programme is presented to the Audit Committee for information and comment. The Audit Committee does have the opportunity to suggest areas that they consider could be reviewed.
Does the committee ensure that officers are acting on and monitoring action taken to implement external audit recommendations?	✓			All external audit recommendations are formulated into action plans with responsible officers named and target implementation dates established. Progress against the action plans is monitored by the Audit Committee on a regular basis. The Committee can require any officers to attend to explain non-implementation of external audit actions.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Governance, Risk, Fraud				
Does the committee take a role in overseeing:				
♦ the annual governance statement	✓			The Audit Committee receives the Annual Governance Statement annually for comment and approval. Progress in implementing the action plan of improvements is monitored by the Audit Committee periodically.
♦ risk management strategies	✓			The Risk Management Strategy is approved by the Audit Committee and the Strategic Risk Action Plans are presented to the committee annually for comment and approval. Progress against the action plans is monitored by Audit Committee on a regular basis.
♦ anti-fraud arrangements	✓			The Audit Committee approves the Anti-Fraud and Corruption strategy, and receives information on the outcomes of all fraud investigation work in the annual report of the Head of Internal Audit. There is an annual review and refresh of all anti-fraud policies which is reported to and approved by the Audit Committee.
♦ whistleblowing policy	✓			The Whistleblowing Policy is approved by the Audit Committee. The policy forms part of the annual review and refresh of anti-fraud policies that comes before the committee for approval.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Membership				
Has the membership of the committee been formally agreed and a quorum set?	✓			Audit Committee Terms of Reference have been approved by the Council. The quorum of Committees established in the Constitution is one-quarter of the whole number of the members of that Committee provided that the quorum is not less than 3 members. The quorum of the Audit Committee would therefore be 3.
Is the Chair free of executive or scrutiny functions?		✓		<p>The Chair of Audit Committee is free of executive functions but serves on the Community Focus Scrutiny Committee although not as a Chair/Vice.</p> <p>The independence of the Chair was not thought to be compromised.</p>

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are members sufficiently independent of the other key committees of the Council?		✓		<p>In the main yes but two Members act as Vice Chairs of scrutiny committees (Coun. Akeroyd & Coun. L Davies), one is Chair of a regulatory committee (Coun. B Aitken) and one is Vice Chair of a regulatory committee (Coun. Ackers).</p> <p>The independence of the Audit Committee was not thought to be compromised.</p>
Have all members' skills and experiences been assessed and training given for identified gaps?	✓			<p>The Council has in place a comprehensive elected member driven training and development programme. Fundamental to this is an embedded Strategy and PDP process. This help shapes both individual and corporate needs resulting in an on going tailored learning programme.</p> <p>In relation to Audit Committee members, the CIPFA document states that "to be effective, the members of an audit committee will require certain skills". These are listed as: a broad understanding of the financial, risk and control, and corporate governance issues facing local authorities generally and the council specifically.</p> <p>For new members of the Audit Committee specific training in advance of their first meeting is arranged based on the above skills to address the main potential gaps.</p> <p>The induction training offered is designed to address this concern. (Specific training for the Audit Committee is considered below)</p>
Can the committee access other committees as necessary?	✓			<p>The Audit Committee is a committee of the Council and can access other Committees as necessary and appropriate.</p>
Meetings				
Does the committee meet regularly?	✓			<p>At least four times a year in accordance with the committee's terms of reference, but in 2011-12 the committee actually met five times and in 2010-11 on six occasions.</p>

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are separate, private meetings held with the external auditor and the internal auditor?	✓			<p>Private meetings with external audit do not happen as a matter of course but if such meetings were required they could be arranged.</p> <p>Private meetings between the Chair and Vice Chair of the Audit Committee and the Head of Internal Audit occur a couple of times annually, once for the purpose of identifying strategic risks and once for the completion of the annual review of Audit Committee effectiveness. Other private meetings have taken place occasionally following committee briefings. In reality, the Chair of the Audit Committee or any member can meet with the Head of Internal Audit at any time.</p>
Are meetings free and open without political influences being displayed?	✓			Yes – thorough discussion of items takes place without undue political influences being displayed.
Are decisions reached promptly?	✓			Decisions are reached promptly at each meeting.
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			Agenda papers are circulated well in advance and are also available on the internet. Since 2010 all internal reports have been issued with the agenda in accordance with the timetable.
Does the committee have the benefit of appropriate officers at its meetings?	✓			The Chief Executive, Section 151 Officer/Deputy and the Head of Internal Audit are regular attendees. Directors and other officers attend as required. Representatives of KPMG, the Council's external auditors also attend as necessary.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Training				
Is induction training provided to members?	✓			Yes – all new members receive corporate induction training. In terms of the Audit Committee new members of the committee will be offered specific relevant induction training.
Is more advanced training available as required?	✓			More specific training for the Audit Committee is regularly offered with sessions on the role of external audit, internal audit and the Audit Committee. Other training has been provided on Corporate Governance, Risk Management and the International Financial Reporting Standards.
Administration				
Does the authority's s151 officer or deputy attend all meetings?	✓			In 2011-12 five meetings of the Audit Committee took place. The Section 151 Officer or Deputy Section 151 Officer attended all of them.
Are the key officers available to support the committee?	✓			Yes – key officers are available to support the Committee with suitable administrative arrangements also in place.

Audit Committee



Date:	Thursday, 29 March 2012
Venue:	Town Hall, St. Annes
Committee members:	Councillor John Singleton JP (Chairman) Councillor Brenda Ackers (Vice-Chairman) Councillors Ben Aitken, David Chedd, Leonard Davies, Tony Ford, Kath Harper
Other Councillors:	Cllrs Buckley and Duffy
Officers:	Tracy Morrison, Mark Towers, Paul O'Donoghue, Savile Sykes, Annie Womack
Other Attendees:	Iain Leviston (KPMG)

1. Declarations of interest

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

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 26 January 2012 as a correct record for signature by the Chairman.

3. Substitute members

Councillor Tony Ford for Councillor Howard Henshaw

Councillor David Chedd for Councillor Linda Nulty

4. Audit Plan – KPMG

Iain Leviston of KPMG presented the Audit Plan for the forthcoming financial year. He referred to the two key areas of work in 2011/12 which were the Savings Plans and the Code Changes. In conjunction with VFM work, there would be a critical assessment of the controls in place to ensure a sound financial standing and a review of how the council is

planning and managing its savings plans, ensuring that those controls are sufficiently robust. There would also be a review of the authority's assessment of its liabilities and provisions in the 2011/12 financial statement. The Authority would need to review and address the changes introduced by the Code of Practice, in particular the introduction of accounting procedures and the new requirement to obtain valuations for certain "heritage assets".

The audit approach was outlined within the report and Mr Leviston gave members a summary of how they would deliver the financial statements audit work for the Authority.

As in the previous year, their approach to value for money work would follow guidance provided by the Audit Commission, and they would specifically look to ensure that the council has proper arrangements in place for securing financial resilience, for example in managing financial risks and opportunities effectively, and securing a stable financial position for the foreseeable future. Also that the council has arrangements in place for challenging how it secures economy, efficiency and effectiveness, such as achieving cost reductions and improving efficiency and productivity.

The audit deliverables and timetable, and the fees, were set out within the body of the report.

Members had some queries relating to the new Code on valuing heritage assets. Mr Leviston explained that certain assets such as paintings would now require a valuation and would be shown on the balance sheet in future. The Code indicated that insurance values could be used. Their value must be recorded even if they were not realizable assets.

It was RESOLVED to note the report, and that Iain Leviston be thanked for his attendance.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

5. Certificate of Grants and Returns 2010/11

Iain Leviston, Manager - KPMG, presented a report which summarised the results of the work on the certification of the Council's 2010/11 grant claims and returns.

He advised members that unqualified certificates had been issued for two grants (Disabled Facilities and NNDR). However, the Housing Benefit and Council Tax claim had a qualification; this was because testing of the initial audit sample had identified a case where benefit had been underpaid. He explained why the claim could not be amended and instead must be qualified.

There had been no adjustments this year to claims, and he confirmed that the authority has good arrangements in place.

Certification fees were higher than estimated and he explained that this was in part because of the introduction of a new benefits system half way through the year, necessitating checks on both systems, which meant that the audit process was more difficult and time consuming. Additionally there was a small increase on the NNDR claim as additional testing had to be completed as part of a three year cycle of audit tests.

It was RESOLVED to agree the certificate of grants and returns and note the report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

6. Governance Review - Melton Grove Task and Finish Group Recommendations

Tracy Morrison (Director of Resources) presented a report summarising the work undertaken to consider the recommendations of the Task and Finish Group which had been established to review the sale of Clifton (Lytham) Housing Association Ltd. Council had referred those recommendations to the Audit Committee for their observations and review. At the last meeting of the Audit Committee, Mark Towers (Blackpool Council's Monitoring officer) had been asked to consider the recommendations.

Ms Morrison informed the committee that Mark Towers had had undertaken the review in early 2012, interviewing members and officers.

Mr Towers then took members through all of the recommendations from the Task & Finish Group and the suggested actions to achieve them, as appended to the report.

In response to a member's question, Ms Morrison agreed that although there was already a requirement in place for members elected to outside bodies to report back, it would be emphasised through a fresh approach, and through whichever new protocol was agreed upon, that there would be a clear duty for those members to report back to scrutiny or council.

It was clarified that where the Head of Governance was referred to in the recommendations, this would be changed to the Monitoring Officer.

It was RESOLVED

- (1) To approve the commentary and suggested actions and to recommend them to council.
- (2) to ask that the Audit Committee receive an update on progress as part of the Constitution Review due to come to committee in June 2012

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote)

7. Regulation of Investigatory Powers Act 2000: Authorisations

Savile Sykes, Head of Internal Audit, presented this report regarding the Council's use of covert surveillance and covert human intelligence sources (CHIS) during the quarter December 2011 to March 2012.

There had been no instances of covert surveillance or CHIS.

It was RESOLVED to note the information in the report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote.)

8. Corporate Governance Improvement Plan 2011-12

Mr Sykes also presented this report which monitored progress in fulfilling the Corporate Governance Improvement Plan, appended to the report. At the last meeting of the Audit Committee, a further progress report had been requested.

Actions on AGS 2 (Item 3) and AGS 4 (Item 7) were on target for completion in April 2012.

It was anticipated that AGS 3 (Item 5) would be completed by September 2012, and AGS 5 (Item 8) was now scheduled to be completed by December 2012. Mr Sykes explained that delays had been caused by the restructure.

It was noted that the updated Procurement Strategy, outlined in Item 7, should be brought before a scrutiny committee for review.

It was RESOLVED

(1) To note the latest position

(2) And that a further update report be submitted to the Audit Committee meeting when available.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote)

9. Internal Audit Plan 2012-13

Mr Sykes presented a report which outlined the Internal Audit Plan for the financial year 2012-13 and briefly described the methodology used in its production. He advised that a risk-based audit plan had been prepared based on a risk assessment which considered materiality, business risk, assurance, sensitivity and time. The risk scores were statistically weighted and provided a level of relative risk for each system. He made reference to other key elements in the assessment, such as the inclusion of key financial systems, and the annual review of corporate governance and anti-fraud activities.

Mr Sykes advised members that the Plan had been drawn up in consultation with the s151 officer, and that it had been endorsed by Management Team.

Under the Planned Reviews, the work relating to CRB checks was to be accommodated within the payroll and the community services (licensing) reviews and with the agreement of the committee it was planned to include a review of the homelessness service. He agreed that he would provide members with an updated Plan (attached to these minutes).

It was RESOLVED

to approve the Annual Internal Audit Plan 2012-13, and note the adjustments to it as outlined above.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

10. Annual Review of Counter Fraud Policies

Savile Sykes, Head of Internal Audit, presented a report regarding the annual review of the Counter Fraud policies which include the Anti-Fraud and Corruption Policy and Strategy, the Whistleblowing Policy, the Anti-Money Laundering Policy and the Sanction and Prosecution Policy. In addition, an Anti-Bribery Policy had been developed for approval.

He reminded members that the Committee had agreed to an annual review in March 2010. All the policies had been comprehensively reviewed, refreshed to reflect any corporate changes, and amended where necessary. The Anti-Fraud and Corruption Policy had been amended to include a reference to the new Anti-Bribery policy which was attached to the report as an appendix.

Mr Sykes clarified that the Anti-Bribery policy applied to both officers and members, and that it supplemented the Code of Conduct.

The other policies had not been significantly amended and were therefore not attached to the report. All the policies could be viewed on the Council's intranet.

It was RESOLVED

to approve the Anti-Bribery policy document attached to the report, and the amendments described.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

11. Data Security High Priority Action (Update).

Mr Sykes also presented this report, for information only. At the last Audit Committee meeting, Mr Sykes had been asked to provide a further report to the March 2012 meeting regarding the Data Security high priority actions, of which one was still outstanding, and to outline the current position.

He advised members that the audit of key data sets had been completed, and where necessary, timetabled action plans had been put into place. The Council's Senior Information Risk Officer was satisfied that robust arrangements were in place and would monitor the situation on a continuous basis.

Internal audit had now had an opportunity to examine relevant evidence and was satisfied of the completion of the high priority action for each directorate.

It was RESOLVED to note the report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)

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**FYLDE BOROUGH Council
Internal Audit Plan 2012/2013 (revised)**

Main Financial Systems	Days	Sub Totals
Cash Collection	2	
Council Tax	17	
Creditors	18	
Housing /CTax Benefit	33	
Main Accounting	1	
National Non-Domestic Rates	19	
Payroll	20	
Sundry Debtors	18	
Treasury Management	1	129
Planned Reviews		
Car Allowances & Expenses	18	
Development Servs - Licensing	18	
FMS – MOT Service	12	
Homelessness Service	18	
Vehicle & Plant	20	
Follow Up Work	10	
Slippage (FMS, Procurement, Purchasing)	25	121
Corporate Governance		
Annual Governance Review	8	
Audit Committee – Review of Effectiveness	2	
Internal Audit – Review of Effectiveness	4	
Risk Management	18	32
Computer Audit		
Data Protection	18	
ICT Audit Liaison/Assistance	18	
Follow Up Work	1	37
Anti-Fraud		
National Fraud Initiative	10	
Prevention of Fraud & Corruption	3	
Follow Up Work	3	
Slippage (Fraud Awareness)	5	21
Other Audit Work		
Authorisation Schedules	5	
Cancelled/Replacement Cheques	11	16
Communication/Consultancy		
General Consultancy/Advice	23	
IA Communication/Liaison	23	46
Reactive Work		
Contingency	50	50
TOTAL AUDIT WORK	452	452

Audit Team		
Management & Administration	169	169
Non-Audit Work		
Benefit Fraud Monitoring/Liaison	8	
Controlled Stationery	1	
Corporate & Democratic Core	13	
Other	12	34
TOTAL DAYS ALLOCATED	655	655