

Audit Committee



Date:	Thursday, 21 June 2012
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, Linda Nulty
Other Councillors:	None
Officers:	Tracy Morrison, Ian Curtis, Paul Swindles, Saville Sykes, Andrew Wilsdon, Paul Rogers
Other Attendees:	None

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 29 March 2012 as a correct record for signature by the Chairman.

3. Substitute members

There were no substitutions.

4 Annual Governance Statement

Tracy Morrison, Director of Resources, presented the Annual Governance Statement which had been prepared under the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. The statement explained how Fylde Borough Council had complied with the code and showed the effectiveness of governance arrangements. She informed the Committee that the document was an assurance statement of the Council's effectiveness in achieving its aims and objectives. The document sets out how Council manages its affairs; and outlined the political and management structure. She

emphasised that Corporate Governance Group comprising the Chief Executive, the Monitoring Officer, the Section 151 officer, the Head of Internal Audit and the Head of Governance, had been established to review governance arrangements and their robustness. Areas requiring attention in the forthcoming year had also been identified within the statement. In response to a question from the Chairman, Councillor John Singleton, she advised that an action plan for approval would be submitted to the committee at its September meeting.

Ms Morrison informed the committee that the words 'Head of Finance' in the first paragraph on page 11 of the Statement should be replaced with the words 'Chief Finance Officer'.

Following discussion it was RESOLVED:

That subject to the words 'Head of Finance' in the first paragraph on page 11 of the Annual Governance Statement should be replaced with the words 'Chief Finance Officer', to approve the Annual Governance Statement for signature by the Chairman.

(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)

5. Constitution Review

Tracy Morrison, Director of Resources, presented a report regarding the council's Constitution which currently needed to be re-adopted by the council each year. The report highlighted some proposed changes and invited the committee to recommend to the Council that it formally re-adopts the constitution subject to those changes. She informed the Committee that some of the proposed changes had been put forward by Mark Towers, Blackpool's Monitoring Officer, in the light of issues some of which relate to Melton Grove.

She made reference to the traditional way of reporting the review of the constitution every year and suggested that in future, this review could be carried out every three years. She also suggested that where cosmetic changes were involved that these would be made as a matter of course.

Councillor Singleton observed that he was content with the recommendations in the report but requested the removal of approval of the detailed breakdown of Capital schemes to Portfolio Holders and that this remain within the remit of Cabinet as a collective.

Ms Morrison responded to a question regarding the current position in relation to Standards Committee by informing Members that a letter would imminently be sent to all Councillors informing them that from the new code of conduct being adopted in July it will be the responsibility of all members before the end of 28 days to disclose pecuniary interests and subsequent changes must be notified to the Monitoring Officer. A report would be submitted to Council in July on the matter.

Following detailed discussion it was RESOLVED:

that subject to the following amendments, the Council re-adopt the constitution incorporating the proposals as set out in the report:

1. The proposal at paragraph 2.3 be amended to read 'to reiterate a more detailed definition of a key decision as described within the Council's Forward Plan and include it in the Constitution.'
2. The final sentence in paragraph 5 on page 19 be deleted.
3. The proposal in paragraph 3.6 on page 20 to read 'to implement the proposed change in respect of to the Notice of Motions procedure in that a notice of motion will automatically be debated at Council meetings subject to them being moved and seconded.'
4. The proposal in paragraph 6 to read 'to introduce a Monitoring Officer Protocol and guide /criteria for members on Outside Bodies for presentation back to members during the autumn period.'

(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)

6. Regulation of Investigatory Powers Act 2000: Guidance

Ian Curtis, Head of Governance, presented a report on the above. He explained that councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. He drew members attention a revised report circulated at the meeting (a copy of which is attached to these Minutes).

Mr Curtis referred to paragraph 8 of the report and advised that although not carried out very often, there had been two authorisations for directed surveillance since June 2011. Those authorisations were being carried out by Preston City Council and evidence was still being gathered on those matters.

Mr Curtis further advised that new regulations, when in force, would require that authorisations be endorsed by the Magistrates' Court as well as a director.

It was RESOLVED:

1. 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)

7. Risk Management Annual Report

Andrew Wilsdon, Risk and Emergency Planning Officer, presented a report which summarised 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.

Mr Wilsdon informed members that the overall completion rate for the 2011-12 Risk Action Plans was 90%. The actions still to be completed related to the Town Hall refurbishment works that had been delayed by the sale of the properties and the Planning/LDF actions referred to in paragraph 2.2 of the report.

Mr Wilsdon drew the committee's attention to the fact that a revised Risk Management Strategy had been presented to the September 2011 Audit committee meeting for approval. As the current version had only been in place since that date, a further review would not be undertaken until 2013.

In respect of the 2012-2013 Strategic Risk Register he referred to paragraph 1.3 in the report which outlines the officers/members involved in the identification of risks for the risk register. He referred to paragraph 4.2 in the report, in which it was noted that some 57 risk actions are included in the 6 risk action plans. He advised that most of these actions would be completed in 2012-13 but some would be carried forward and completed in 2013-14.

He informed the Committee that the Strategic Risk Management Group would be monitoring progress on the Risk Management Action Plan and a half year report on the progress would be submitted to the Committee in December.

Councillor John Singleton, Chairman, referred to the delays in the office accommodation refurbishment and informed the committee that he had arranged a meeting with the Leader of the Council to discuss the situation.

Councillor Singleton referred to the Governance Action Plan on page 56 and asked why the report referred to in the third action had not been presented to this meeting, as requested at the March Audit Committee meeting. Tracy Morrison, Resources Director, advised that some of the recommendations had been incorporated in the constitution review and some in the governance plan.

With regard to a question from Councillor Kath Harper on the last action in the Governance Plan, Ms Morrison informed members that the first of the Three Tier Forums had been held and that the six Borough Councillors had received training for their role as Forum members.

It was RESOLVED:

1. that subject to i below, the year end report of the progress made on the 2011-2012 Risk Action Plans be noted:

(i) that a report on the progress Risk Management Action Plan 1 be presented to the September Audit committee meeting.

2. that the 2012-2013 Strategic Risk Register be approved

(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. Internal Audit Annual Report 2011-12

Savile Sykes, Chief Internal Auditor, presented a report which provided an opinion on the effectiveness of the Council's system of internal control in support of the Annual Governance Statement. It also summarised the work undertaken by internal audit from April 2011 to March 2012 and performance information for the same period.

Mr Sykes referred to paragraph 2.2 of the report and the positive opinion relating to the Council's control environment and informed the committee that much of the remainder of the report was the reasoning for that opinion.

He explained that in arriving at the internal audit opinion the following areas had been taken into account:

- External Audit Work during 2011/12
- Other External Inspections
- Risk Management effectiveness
- Corporate Governance effectiveness

- Internal Audit effectiveness
- Internal Control

He commented about each of the above in turn and corrected the date referred to in the final line of paragraph 2.4.13 in relation to the effectiveness of internal audit, which should read January 2012.

Mr Sykes referred to table 3 on page 62 in relation to internal control and informed the committee that the average assurance score of 4.2 in 2011-12 for the Main Financial Systems reviewed by internal audit was the highest achieved over a five year period.

With regard to the nine 'High Priority' risks identified as a result of internal audit work Mr Sykes reported that five had been addressed, while the remaining four had not yet reached the agreed date for resolution.

He advised that twenty nine follow up reviews had been undertaken during the year. The overall rate of implementation was 84%, which was below the target set by the Audit Committee.

Mr Sykes discussed the special investigations and counter fraud work undertaken during the year. He referred to paragraph 3.1.7 on page 66 relating to the National Fraud Initiative and advised that savings generated had now risen to £26,000. He also informed members that 209 Single Person Discounts had been investigated revealing 18 fraudulent claims with 162 still in progress.

Finally Mr Sykes referred to the 95% of the Internal Audit Plan completed and the high levels of client satisfaction with the internal audit and the results of the service performance indicators.

Councillor Linda Nulty questioned the low implementation of recommendations for Development Control in Tables 5 and 6. Mr Sykes informed the committee that a high number of issues had arisen from the review of Development Control but that responsible officers had not fully addressed the agreed actions..

Councillor John Singleton, Chairman, expressed his disappointment that the implementation rate had fallen to 84 per cent. He asked the Committee to approve a meeting to be arranged by Tracy Morrison for himself and the Vice Chairman to meet with all managers with outstanding actions to discuss the issue.

Councillor Kath Harper requested an explanation of the term forensic readiness referred to on page 67 in paragraph 3.2.2. Mr Sykes advised that this was a policy to ensure that the Council is able to use digital evidence effectively in any legal, employment or disciplinary matter by ensuring that data is not corrupted by inappropriate handling.

With regard to a question from Councillor Kath Harper concerning the additional time needed to complete the car parking audit, Mr Sykes advised that car parking arrangements were complicated with numerous companies being involved with separate contracts and because of these factors more audit time was needed.

It was RESOLVED

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.
3. To approve a meeting to be arranged by Tracy Morrison that he and the Vice Chairman should meet with responsible managers to discuss the issue regarding non implementation of agreed actions arising from audit work.

(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)

9. Internal Audit Shared Service

Tracy Morrison, Director of Resources, presented a report which advised the Committee of the proposal to enter into a shared internal audit service between Fylde Borough Council and Blackpool Council. The background to the proposal was explained in the report together with the principles underlying the shared service concept. An initial assessment of the proposal was provided, which incorporated the key risks identified and suggested mitigation. The purpose of the report was principally informative but it also sought feedback, input and comment from the Audit Committee.

She referred to the Council restructure in January 2012 which identified that internal audit was an area where potential cost savings could be made with the opportunity to enter into a shared audit service with Blackpool Council. The main factors were to reduce costs and increase resilience. She emphasised that although Blackpool had a larger qualified audit team, the Borough Council's team were very experienced able officers headed by a qualified professional officer. Initial discussions had taken place with Blackpool Council and which had raised issues that were set out on pages 73 and 74 of the report.

Ms Morrison informed the Committee that this Council would still retain its own Audit Committee and separate internal audit plan. The Chief Internal Auditor of the shared service or deputy would attend all meetings of the Committee and report on matters in the same manner as presently. Blackpool Council would be the employing authority.

An initial scheme was being considered by officers and Management Team had identified the need for clarification on various issues, one of which was cost savings. A risk assessment had been undertaken and the key risks identified were set out on pages 74 and 75 of the report which also highlighted mitigating actions.

Councillor Ben Aitken asked what provisions would be made in any agreement should the shared service prove unsuccessful. Savile Sykes, Chief of Internal Auditor, informed the Committee that he envisaged a Service Level Agreement would be developed, which would contain a clause allowing the Borough Council to give six months notice to terminate the shared service should it prove to be unsuccessful.

In response to a member's question, Ms Morrison advised that the Borough Council's audit team would be given the opportunity to achieve formal qualifications in the audit field.

Councillor Kath Harper made reference to Risk 2 in the risk assessment on page 75 of the report regarding the achievement of a fair share of service resources for Fylde. Ms Morrison advised that she would make certain that a robust client function would be established to ensure the Council was not disadvantaged.

Mr Sykes also stressed that there would be a separate audit plan for the Borough Council guaranteeing the level of then internal resource to be provided. He informed the committee that this Council's expected performance requirements would be included in service level agreement with outcomes reported to the Audit Committee.

Ms Morrison informed the Committee that the proposed date for the implementation of a shared service, subject to Cabinet approval was October/November 2012.

The Chairman requested update meetings with Ms Morrison on progress.

It was RESOLVED

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.
2. To approve regular update meetings between the Chairman, Vice Chairman and Ms Morrison on progress in relation to the proposed shared audit service.

(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. Effectiveness of the Audit Committee

Savile Sykes, Chief Internal Auditor, presented a report on the findings of the annual 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.

He referred to the self assessment checklist against best practice starting on page 80 of the report.

It was RESOLVED

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.

(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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