FYLDE BOROUGH COUNCIL

Working together for excellence

Meeting Agenda

Audit Committee
Town Hall, St Annes
Thursday 25 June 2009, 7:00 p.m.

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

The maximum capacity for this meeting room is 60 persons – once this limit is reached no other person can be admitted.

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor John Singleton
VICE-CHAIRMAN – Councillor Linda Nulty

Councillors

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

Contact: Peter Welsh, St. Annes (01253) 658502, Email:
peterw@fylde.gov.uk

FYLDE BOROUGH COUNCIL

Our Vision

To establish Fylde Borough Council as a high performing local authority

Our Corporate Objectives

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

• The promotion and enhancement of the natural built environment

• Increasing the availability and access to good quality housing for all

• Maintaining healthy and safe communities to reduce the fear of crime

• Supporting and sustaining a strong and diverse Fylde coast economy to further enhance employment prospects

We will achieve this by:

Focusing on customer requirements

Clear community and organisational leadership

Delivering high quality, cost-effective services

Partnership working

A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
1. **DECLARATIONS OF INTEREST:** *If a member requires advice on Declarations of Interest he/she is advised to contact the Monitoring Officer in advance of the meeting. (For the assistance of Members an extract from the Councils Code of Conduct is attached).*	4
2. **CONFIRMATION OF MINUTES:** *To confirm as a correct record the minutes of the Audit Committee held on 30 April 2009. As attached at the end of the agenda.*	4
3. **SUBSTITUTE MEMBERS:** *Details of any substitute members notified in accordance with council procedure rule 25.3*	4
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CODE OF CONDUCT 2007

Personal interests

8.—(1) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

(ii) any body—

(aa) exercising functions of a public nature;
(bb) directed to charitable purposes; or
(cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

(i) any employment or business carried on by you;
(ii) any person or body who employs or has appointed you;
(iii) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;
(iv) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);
(v) any contract for goods, services or works made between your authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);
(vi) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £25;
(vii) any land in your authority's area in which you have a beneficial interest;
(viii) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;
(xi) any land in the authority's area for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or

(b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision;

(2) In sub-paragraph (1)(b), a relevant person is—

(a) a member of your family or any person with whom you have a close association; or
(b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
(c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
(d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

Disclosure of personal interests

9.—(1) Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

(2) Where you have a personal interest in any business of your authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.

(3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.

(4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

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(5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.

(6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

(7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000(**d**).

Prejudicial interest generally

10.—(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

(2) You do not have a prejudicial interest in any business of the authority where that business—

(a) does not affect your financial position or the financial position of a person or body described in paragraph 8;

(b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or

(c) relates to the functions of your authority in respect of—

(i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;

(ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;

(iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;

(iv) an allowance, payment or indemnity given to members;

(v) any ceremonial honour given to members; and

(vi) setting council tax or a precept under the Local Government Finance Act 1992.

Prejudicial interests arising in relation to overview and scrutiny committees

11.— You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—

(a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and

(b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

Effect of prejudicial interests on participation

12.—(1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your authority—

(a) you must withdraw from the room or chamber where a meeting considering the business is being held—

(i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;

(ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;

unless you have obtained a dispensation from your authority's standards committee;

(b) you must not exercise executive functions in relation to that business; and

(c) you must not seek improperly to influence a decision about that business.

(2) Where you have a prejudicial interest in any business of your authority, you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	25/06/2009	4

AUDIT PLAN 2009/10

Public Item

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

Summary

The report presents the Audit plan 2009/10 from KPMG.

Recommendation

The Committee considers and comments on the Audit plan 2009/10.

Reasons for recommendation

Alternative options considered and rejected

None

Cabinet Portfolio

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

Report Author	Tel	Date	Doc ID
Governance and Partnerships Directorate	(01253) 658516	25/06/09	

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

Attached documents

1. Audit Plan

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

Philip Woodward
Chief Executive
Fylde Borough Council
The Town Hall   Our ref   tr/rf/et-493 Fylde BC
St Annes Road West
St Annes
Lancashire FY8 1LW

27 May 2009

Dear Philip

Annual audit fee 2009/10

I am writing to confirm the audit work and fee that we propose for the 2009/10 financial year at Fylde Borough Council. The Audit Commission now requires that we produce this letter style audit strategy, in place of the more detailed audit plans that have been produced in previous years. Our proposals:

- are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and

- reflect only the audit element of our work, and exclude any inspection and assessment fees which will be charged separately by the Audit Commission. Your Comprehensive Area Assessment Lead will be writing to you separately on these fees on behalf of the other inspectorates.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative fee for the audit for 2009/10 is £120,000 (plus VAT). This compares to the planned fee of £125,000 for 2008/09, a summary of this is shown in the table below.

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	70,000	70,000
Use of Resources/VFM Conclusion including risk based work	46,900	51,900
Whole of Government Accounts	3,100	3,100

Total audit fee	120,000	125,000
Grants	25,000	30,000

The indicative fee is based on a number of assumptions, which I have summarised in Appendix 1 to this letter. The Audit Commission has published its work programme and scales of fees 2009/10 and the scale fee for Fylde Borough Council is £96,150. The fee proposed for 2009/10 is 25% above the scale fee but represents a reduction on the prior year fee. This is because of the continued day to day financial pressures facing the Council and ongoing work associated in monitoring the Councils performance.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008/09. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Director of Finance and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

Our use of resources assessments will be based upon the evidence from three themes:

- Managing finances;

- Governing the business; and

- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. Our work on use of resources informs our 2009/10 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I will consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
Financial standing.	We will continue to monitor closely the Councils progress in delivering the 2009/10 budget and achievement of significant savings targets, as part of our work on Use of Resources.	Ongoing

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The above fee excludes any additional work we may agree to undertake at the request of the Fylde Borough Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

The key members of our audit team for the 2009/10 audit are:

Name	Role	Contact details
Trevor Rees	Partner	Trevor.rees@kpmg.co.uk 0161 246 4063
Richard Foster	Manager	richard.foster@kpmg.co.uk 0113 231 3822
Neil Shelley	Assistant Manager	neil.shelley@kpmg.co.uk 0161 246 4438

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance.

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *'Something to Complain About'*, which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely

Trevor Rees
Partner

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Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;

- you will inform us of significant developments impacting on our audit;

- internal audit meets the appropriate professional standards;

- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;

- you will identify and implement any changes required under the CIPFA SORP within your 2009/10 financial statements;

- your financial statements will be made available for audit in line with the timetable we agree with you;

- good quality working papers and records will be provided to support the financial statements by the date we agree with you;

- requested information will be provided within agreed timescales;

- prompt responses will be provided to draft reports; and

- additional work will not be required to address questions or objections raised by local government electors

Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee.

Changes to the plan will be agreed with you. These may be required if:

- new residual audit risks emerge;

- additional work is required by the Audit Commission, KPMG or other regulators; or

- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Audit plan	April 2009
Interim audit report (if required)	June 2010
Report to those charged with governance (ISA260 report)	June / September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	June / September 2010
Use of resources report	September 2010
Annual audit letter	November 2010

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REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	25/06/2009	5

FINANCIAL & PLANNING MANAGEMENT REVIEW

Public Item

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

Summary

Report to follow.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVENANCE & PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	25 JUNE 2009	6

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 2008-2009 Risk Register Action Plans, the work undertaken by the Council's Insurance & Risk Management Officer in producing the Strategic Risk Register for 2009 – 2010 and the annual review of the Risk Management Strategy.

The report links principally to the Corporate Objective - "Delivering high quality cost effective services".

Recommendations

1. It is recommended that the year end report of the progress made on the 2008-2009 Risk Action plans be considered and appropriate comments made.

2. It is recommended that the Strategic Risk Register for 2009-2010 is approved

3. It is recommended that the Risk Management Strategy (reviewed June 2009) is approved.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Partnerships and Community Engagement: Councillor Albert Pounder

<u>Report</u>

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 Insurance & Risk Management 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 2009, this exercise involved both the Chief Officers Management Team, Middle Managers Group together with the Leader of the Council and 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 2008-2009

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 requires 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 66 such actions identified in the 2008-2009 Risk Register. The number of tasks completed in full was 58, this representing 88% of the total number of actions. A further 4 actions were partially completed by the end of the year, this representing a further 6% of the total number of actions. Of the 4 remaining actions, these were deferred until the 2009-2010 municipal year. The deferred actions relate to 2 actions on project management, these were deferred because of the management restructure. Work on these actions will now be recommenced. The other 2 items concerned Human Resources. These were to carry out a staff survey, this action will be completed in the 2009-2010 municipal year, and an action on embedding employment policies. It has proved difficult to establish a relevant measurer to show that employment policies have been embedded. The SRMG have been asked to address this problem in the current year.

3   Review of the Risk Management Strategy

3.1   As mentioned in the introduction above the Use of Resources inspection regime requires the Council to review its risk management strategy on an annual basis and have the revised document adopted by the Audit Committee.

3.2   As part of its 2008-2009 annual plan the Council's internal audit section conducted a review of the Council's risk management arrangements. The overall assurance rating for the service was judged as "Substantial" by Internal Audit. This rating is defined as follows; "While there is basically a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk". An improvement plan has been agreed with internal audit and 9 actions have been identified for completion during the 2009-2010 municipal year. In order to achieve 2 of these recommendations amendments have been made to the Strategic Risk Management Strategy attached as Appendix 1. These amendments concern partnerships and formalised risk assessments being undertaken for all reports where a policy is established, a project initiated or officers are seeking a significant decision.   A paragraph about partnerships has been added on page 7 of the SRMS and an additional responsibility has been added to the Director's responsibilities on page 14. The requirement to undertake risk assessments for reports to non-regulatory committees has been included in the paragraph on Internal Controls on page 11 or the SRMS. There have been one of two minor amendments to the remainder of the strategy mainly to reflect the revised management structure of the Council.

4   Risk Register – 2009-2010

4.1   The risk register for 2009-2010 is attached (Appendix 2). The strategic risks and risk champions for each risk are:

Strategic Risk	Risk Champion
Planning & Development	Director of Strategic Development
Economic Development	Director of Governance & Partnerships
Wyre Contract	Director of Customer & Operational Services
Financial Standing & Capacity	Chief Executive Officer
Partnerships/Shared Services	Director of Governance & Partnerships
Economic Downturn & Credit Crunch	Chief Executive

4.2   Each individual risk action identified in the Risk Register is recorded to enable it to be monitored through to its successful completion. Progress reports on the current status of all 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	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	None arising from this report
Health & Safety and Risk Management	The work of the Risk Management Officer in producing the Strategic Risk Register and reviewing the Strategic Risk Management Strategy helps to fulfil the requirement of the Accounts Regulations and contributes to the scoring on the Use of Resources Inspection and Comprehensive Area Assessment.

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit Cttee June 09

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

Working together for excellence

FYLDE BOROUGH COUNCIL

Risk Management Strategy

Audit Committee June 2009

FOREWORD

Welcome to the Council's Strategic & Operational Risk Management Strategy, revised in June 2009. The aim of the Strategy is to improve strategic & risk management throughout the Council. Effective risk management allows the Council to:

➢ have increased confidence in achieving its priorities and outcomes

➢ mitigate threats to acceptable levels

➢ take informed decisions about exploiting opportunities

➢ ensure that it gets the right balance between rewards and risks

➢ improve its partnership working arrangements and corporate governance

Effective risk management will help to ensure the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver its priorities and improve outcomes for its residents.

This strategy explains Fylde Borough Council's approach to strategic and operational risk management, and the framework that it will operate to ensure that it arranges its risks effectively.

Cllr, Roger Small
Risk Management
Cabinet
Portfolio Holder

Phillip Woodward
Chief Executive Officer
Fylde Borough Council

CONTENTS

Information Box	
Title	Risk Management Strategy version 3.1 revised June 2009
Description	Fylde Borough Council's Risk Management Strategy
Primary audience	Members, Chief Executive, Corporate Management Team, Middle Managers and all Fylde Borough Council staff
Contact	Insurance & Risk Management Officer Corporate Resources Directorate Tel. No.: 01253 658412
Last revised	June 2008

1.   Introduction

This document forms Fylde Borough Council's Risk Management Strategy. It sets out:

- ➢ What is meant by risk management
- ➢ Why we need a risk management strategy
- ➢ The philosophy of our risk management
- ➢ An overview of the methodology to be adopted and its links with existing processes
- ➢ A summary of the implementation timetable
- ➢ An outline of the associated roles and responsibilities of members, chief officers and other employees.
- ➢ A summary of future monitoring and reporting lines for risk management

Aim:

The aim of this strategy is to improve the Council's ability to deliver its strategic priorities by managing its threats, enhancing its opportunities and creating an environment that adds value to ongoing operational activities.

Objectives:

- ➢ fully integrate strategic and operational risk management into the culture of the Council and into the Council's strategic planning processes
- ➢ ensure that the framework for identifying, analysing, prioritising, action planning, monitoring and monitoring and reviewing risks across the Council is implemented and understood by all relevant staff
- ➢ communicate the Council's approach to risk management to its stakeholders and partners
- ➢ promote the co-ordination of risk management activities across the Council
- ➢ ensure that the Executive, Corporate Management Team (CMT) and external regulators can obtain the necessary assurance that the Council is mitigating the risks of not achieving its objectives, and thus complying with good corporate governance practice.
- ➢ ensure consistency throughout the Council in the management of risk

This strategy outlines how Fylde Borough Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.

A policy statement is attached at Appendix A.

2.   What is Risk Management?

Risk Management can be defined as:

"The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks"
ZMMS/SOLACE, Chance or choice?, July 2000.

Risk management is a strategic tool and is an essential part of effective and efficient management and planning.

Fylde BC delivers a diversity of services that provides a vast potential for personal injury and loss or damage. Risk management will allow us to reduce that potential and in respect of strategic risk it will allow us to effectively manage the barriers to achievement of the Council's objectives.

3.   Why do we need a Risk Management Strategy?

Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.

Strategic risk management is also an integral requirement of the Use of Resources Assessment and as such is an important element in demonstrating continuous improvement.

Risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance that was to be adopted by all Authorities in 2002/03. The CIPFA/SOLACE framework requires Fylde Borough Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The Framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk. The assurance statement is disclosed in both the Annual Statement of Accounts and referred to in the Best Value Performance Plan and is signed by the Leader of the Council and the Chief Executive.

4.   What is our philosophy?

The Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. The council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour.

Risk management is something that everyone within Fylde Borough Council undertakes almost daily to varying degrees. Risk Management cuts across all areas of management and it is, therefore, difficult to draw clear boundaries around risk management. However, at Fylde Borough Council risk management falls within the following main areas:

- ➢ Health & Safety
- ➢ Emergency Planning
- ➢ Business Continuity Planning
- ➢ Projects
- ➢ Business Risks i.e. risks identified in the Corporate & Operational Risk Registers
- ➢ Partnerships/Shared Services

The risk management process contained in this strategy applies primarily to the Strategic Business and Project risk areas, however, the principle of the strategy can be applied to operational risk areas.

The main areas of risk identified above are managed by the following Directorates

Risk Area	Service Area with Lead Responsibility
Health & Safety Risks	Corporate Resources (Client) Blackpool Occupational Health & Safety Team (Delivery)
Emergency Planning	Community Services
Business Continuity Planning	Corporate Resources
Project Risks	Initiating Directorate
Business Risks	Corporate Resources
Partnership Risks	Initiating Directorate

Health & Safety and Emergency Planning

The Council has long established and effective processes for the management of risks falling within the Health & Safety and Emergency Planning areas of operation. The arrangements in place for these processes are not superseded by this strategy.

Business Continuity Management

Although there are clear inter-dependences between Business Continuity Planning and Strategic Risk Management, the Council's Business Continuity Planning arrangements are dealt with separately to this Strategy (Business Continuity Plan).

Project Risks

Projects risks can be managed using one, or a combination of the following risk management processes:

- ➢ Risk management techniques associated with the project management methodology used i.e. PRINCE2
- ➢ The Council's Strategic Risk Management Process

The size and scope of the project is likely to dictate the process best suited to managing the risks. However, all projects must undertake full risk assessments.

Business Risks

The risk management process outlined within this strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (delivery of the Council's core objectives and corporate plans) and operational activities (delivery of actions identified in directorate service plans)

Partnership Risks

Although there are clear inter-dependencies between Partnership Risks and Strategic Risk Management, the Council's partnership working arrangements are dealt with separately to this Strategy. (Partnership Protocol)

5. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

RISK MANAGEMENT PROCESS
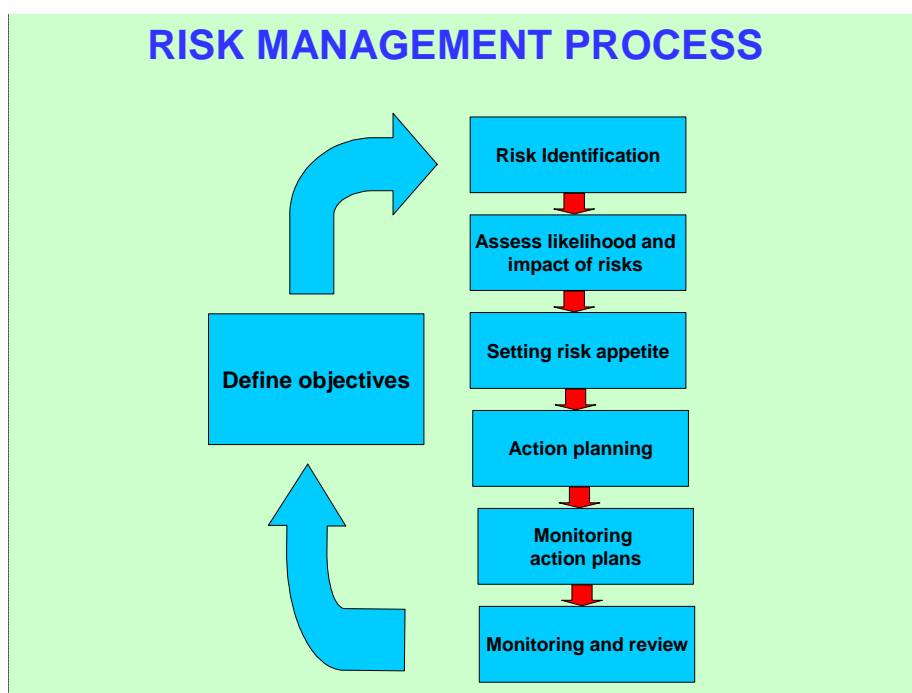
The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall service plans and the Corporate Plan. Relevant PI's are identified and then monitored through the developing performance management framework ensuring that the focus remains on achieving Fylde Borough Council's objectives

Step	Element	Activity Description
1	**Risk Identification**	Individual interviews are held in Dec / Jan each year with the Chief Executive, Directors, Council Leader, Portfolio Holder, Member Risk Champion and Chairman of the Audit Committee to identify strategic risks facing the Council over the next 12 months. Specific consideration is given to risks and opportunities associated with the Council's core objectives and priorities.
2	**Risk Analysis**	The risks identified in step 1 are analysed and clustered around common areas. These are then written into scenarios by the Risk Management Officer and Head of Internal Audit that show the vulnerability, trigger and consequences of each risk type.
3	**Risk Priority**	The risk scenarios are presented to a Corporate Management Team workshop to decide if the risk presented is in fact valid, if it is it is prioritised on a 5x4 matrix measuring Likelihood against Impact. Once all the risks are plotted on the matrix the risk appetite line is added. All risks above the line are then actioned planned.
4	**Action Planning**	Each risk identified above the line is action planned. This process shows what action is already taken to mitigate the risk and identifies what further actions should be taken to reduce the risk to a more acceptable level by reducing the likelihood of the risk occurring or the impact if it does. Each risk is assigned to a Champion who oversees the implementation of the action plan

Step	Element	Activity Description
5	**Monitoring**	The strategic risk management group monitors progress on the implementation of the agreed action plans throughout the year to ensure that all actions are completed. If necessary it will recommend to the CMT that new risk are added to the Risk Register should the need arise during the year.
6	**Monitoring & Review**	The whole process is monitored and reviewed on an annual basis. Once the outcomes of the current years activities are known the cycle starts over with interviews to Identify the risks for the next years risks register
7	**Operational Risk**	The managing of operational risks is conducted using the same framework but within each directorate. Operational Risks Registers are set up in each directorate and they are monitored by the directorate Risk Champion. Reports on the progress of the individual unit risk registers will be made to the operational risk management group as required by the directorate risk champions

6.   How will it feed into our existing processes?

The information resulting from the process acts as one of eight key pieces of information that will be incorporated into the development of the service and Best Value Performance Plans. Risk management will become an essential element to establishing policy, developing plans and enhancing operational management.

Fylde Borough Council's Vision

Opportunity analysis

Government Priorities

Risk assessment

Local Priorities

Resources available

Consultation

External events

Performance Management

Priorities for improvement stated in service plans and the Best Value Performance Plan

IMPROVED PERFORMANCE
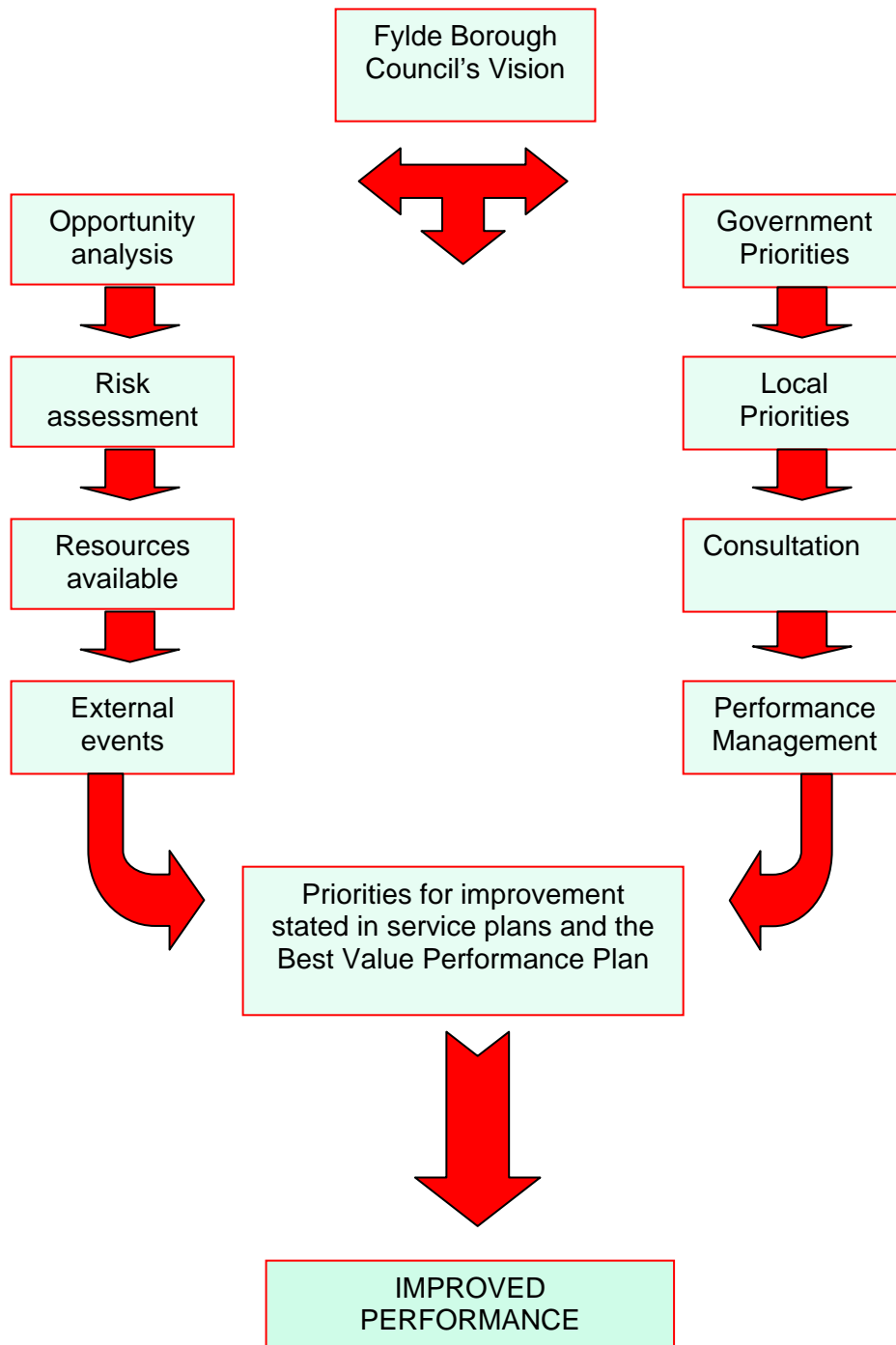
Effective risk management may also be integrated into the existing Best Value guidance. It can help to narrow down the options for future service delivery. It can also be used as mechanism of identifying areas of service improvement.

The risk management methodology can also be adopted for individual projects and can be used to strengthen all decision-making processes.

Links to Corporate Governance

Risk Management is part of the Council's overall Corporate Governance arrangements:

Governance is the system by which the Council directs and controls its functions and relates to the Community. In other words, the way in which it manages its business, determines its strategy and objectives and how it goes about achieving its objectives. The fundamental principles are openness, integrity and accountability. The risk management strategy forms part of Fylde Borough Council's corporate governance arrangements. The other main elements are Internal Control, Performance Management, Health & Safety and Internal Audit.

Internal Controls are those elements of an organisation (including systems, resources, processes, culture, structure and tasks) that, taken together support people in the achievement of the Council's objectives. Internal financial control systems form part of the wider system of internal controls. The Council's internal controls forms part of its risk management process and have a key role to play in the management of significant risks to the fulfilment of its business objectives. For example all reports to non-regulatory committees where a decision is being recommended must have a risk assessment completed with the significant findings of the risk assessment included in the report. The report should also identify the risk register in which the risks and required risk mitigation actions will be entered and monitored. If it is considered that a risk assessment is not appropriate this information must be included reported.

Performance Management and risk management are closely aligned. The Council's Performance Management process closely mirrors the Risk Management process.

The **Health & Safety** policy of the Council is a key component of the Council's structure of controls contributing to the management and effective control of risks affecting staff, contractors, volunteers, service users and the general public.

Internal Audit is a major component of the Council's system of controls protecting its financial and other physical assets. The risk management process in turn serves the Internal Audit function by enabling it to identify areas of high risk, and so target its resources more effectively.

7.   How will this be implemented?

A detailed implementation plan has been developed to support the strategy. The following is a summary of the overall timetable:

Action	Timescale	Responsibility of
Corporate assessment and prioritisation of risks	Feb/Mar each year	Corporate Management Team
Develop strategy, report to CMT and recommend for approval by members. Report % achievement of pervious years Risk Actions	End of June each year	Insurance & Risk Management Officer
Raise awareness of risk management as an effective management tool	ongoing	Insurance & Risk Management Officer
Directorate service plans -assessment and prioritisation of risks	Feb/Mar each year	Directorate Risk Teams
Report to Audit Committee on progress on the current years Risk Actions contained in the Risk Register	Jan each year	Insurance & Risk Management Officer

8.   What are the different roles and responsibilities?

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process: -

Role	Responsibilities
The Audit Committee	➢ Overseeing effective risk management across the Council ➢ Agreeing Fylde Borough Council's Risk Management Strategy ➢ Ensuring that risk management is delivered by the Director of Corporate Resources on behalf of the Council ➢ Ensuring that a Strategic Risk Register, including details of actions taken to mitigate the risks identified, is established and regularly monitored ➢ Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually ➢ Seeking assurances that action is being taken on risk related issues identified ➢ Facilitating a risk management culture across the Council
Leader	➢ Appointing a Member with responsibility for Risk Management within the cabinet
Chief Executive & Corporate Management Team	➢ Leading risk management across the Council, with the Director of Corporate Resources as the designated CMT lead on Risk ➢ Advising members on effective risk management and ensuring that they receive regular monitoring reports ➢ Recommending a Risk Management Strategy to Members of the Audit Committee ➢ Identifying and managing the business risks and opportunities facing the Council ➢ Co-ordinating risk management across the Council ➢ Being responsible for ensuring that the Council fully complies will all corporate governance requirements, including the Annual Statement of Internal Control

Role	Responsibilities
Directors	Directors will demonstrate their commitment to risk management through: - ➢ Ensuring that risk management within their directorate is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management ➢ Ensuring partnerships initiated by their directorates are constituted in accordance with the Partnerships Protocol ➢ Appoint a risk champion who is authorised to progress effective risk management throughout their directorate that adheres to corporate guidelines ➢ Identifying and managing risks within their directorate and ensuring that mitigation actions are regularly reported. ➢ Identifying, analysing, prioritising, and action planning risks arising from their business area ➢ Balancing an acceptable level of operational risk against programme and project objectives and business opportunity ➢ Reporting systematically and promptly to the Corporate Management Team any perceived new risk or failures of existing control measurers ➢ Attending the Strategic Risk Management Group
Risk Champions	➢ Acting as the main contact for their directorate on risk matters, and ensuring that corporate information and requirements are communicated to the directorate ➢ Progressing across their directorate effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met ➢ Representing their directorate at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Director ➢ Provide the Operational Risk Management Group with reports on the status of their directorate's Risk Register and progress made on implementing the unit risk action plan. ➢ Providing support on risk management to Directors and middle managers within their directorate ➢ Promoting the benefits of risk management across the directorate ➢ Maintaining, on behalf of Director a Risk Register that complies with corporate guidelines

Role	Responsibilities
Middle Managers	➢ Communicating to staff the corporate approach to risk management ➢ Identifying the risk management training needed by staff, and reporting this to the directorate Risk Champion ➢ Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required
Staff	➢ Understanding their accountability for individual risks ➢ Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls
Internal Audit	➢ Auditing the key elements of the Council's Risk Management Process ➢ Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan ➢ Ensuring that internal controls are robust and operating correctly
Risk Management Groups	The purpose of the risk management groups is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues. The Groups will also: ➢ Promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures ➢ Ensure that risk management is seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing". ➢ Investigate issues referred to it by the Corporate Management Team and report back in a timely manner ➢ Standardise procedures and practices to reduce property and liability losses and claims ➢ Advise Corporate Management Team on risk management issues referred to it by individual directorates. ➢ Receive reports from the Risk Management Officer and Directorate Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.

Role	Responsibilities
Risk Management Groups	➢ Adopt SMART reporting techniques for all issues sent to the group from whatever source ➢ Introduce more sophisticated systems to analyse and forecast losses ➢ Investigate the feasibility of allocating risk costs in line with the risk features of each budget holder ➢ Use deductibles or self-insurance where financially beneficial to provide a vested interest in loss control. Dependence on insurance will be reduced and cover sought on a 'value for money' basis, seeking cover where financially prudent ➢ Wherever possible, improve risk management information and investigative procedures within the authority The terms of reference for the risk management group is attached at appendix B
Insurance, Risk Management & Business Continuity Officer	➢ Provide advice and guidance on insurable risks ➢ Provide strategic direction on the Council's approach to risk management ➢ Ensure effective liaison between risk areas (see table on page 6) ➢ Co-ordinating the Council's approach to risk management ➢ Provide advice to the Council on risks arising from partnership working, and possible mitigation actions such as use of Service Level Agreements ➢ Report on the status of the Council's Corporate Risk Register and the implementation of the associated action plans

9.   How will the monitoring and reporting of risk management happen?

A framework of monitoring and reporting will be established that will allow: -

➢ An annual review of the risk management strategy by CMT approved by the Audit Committee
➢ Monitoring of the effective management of risks through developing performance management mechanisms including regular reporting on service and corporate performance indicators to CMT and members.
➢ An annual review of the overall process and a report to CMT and members on the effectiveness of risk management and internal control by Internal Audit.

An annual report to the Audit Committee outlining the effectiveness of the strategic and operational risk management actions undertaken as part of the Corporate and individual Directorate Risk Registers. The ultimate measure of effective risk management is that the Council:

➢ has resilience to deliver its services and core objectives
➢ is protected from the possibility of being impacted by an unforeseen risk
➢ is protected from the possibility of a foreseen risk having significantly greater impact than anticipated
➢ is able to take cost-effective measurers to reduce or eliminate the effects of negative risk
➢ is able to identify, and take maximum advantage of, the occurrence of positive risk.

10. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.

The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This should be achieved in part by making risk management part of existing processes and reviews rather than treating it as a separate function.

Risk Management Policy Statement

The diversity of services offered by the Council presents a vast potential for personal injury, loss and damage. It is essential for the Council to develop Risk Management programmes which ensure that, in discharging its responsibilities to the citizens, the likelihood of personal injury and loss or damage to physical assets is minimised by means of anticipating and controlling our exposure to risk.

Accordingly it is the responsibility of every member of staff to identify, analyse, eliminate and control exposure to risk and to minimise such losses as they may occur. The purpose of the risk management policy is to achieve the following:

1. To support operating units in their efforts to appraise the risks to which they are exposed.
2. To provide advice through networks of specialists.
3. To provide guidance on best practice in loss control.
4. To motivate managers and others to manage risk effectively.
5. To provide incentives in order to increase the level of risk management.
6. To ensure that adequate risk financing is available.

The Council's Strategic and Operational Risk Management Groups are fundamental to this process. Elected Members, the Chief Executive, Directors and staff of all directorates must be fully supportive of the initiative.

It is the responsibility of every directorate to implement a sound Risk Management strategy. Management at directorate and cost centre level has the responsibility and accountability for managing the risks to which their area is exposed.

This philosophy has the support of the Council which recognises that any reduction in injury, illness or damage benefits the whole community.

Strategic & Operational Risk Management Groups – Terms of Reference

Meetings

The risk management groups will meet on a regular basis; however the Chairman of either group may call extra meetings or cancel as necessary.

Chairmanship

The Chairmen of the Groups will normally appointed by the CMT.

Secretary

The Secretary of the Groups will normally be the Insurance and Risk Management Officer.

Membership of the Groups

Every directorate will be represented on the each Group. Each directorate will nominate a senior member of the directorate to represent the directorate on the group. Directorate membership should, where possible, be rotated over a cycle of a number of meetings so that risk management is promoted to as many senior officers as possible. Additional staff members may attend the meeting where it is considered beneficial to have their input on matters being discussed.

Purpose, Focus and Scope of the Risk Management Group

➢ The purpose of the risk management group is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues.
➢ The group should promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures.
➢ Risk management should be seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing".
➢ The risk management group should investigate issues referred to it by the Corporate Management Team and report back in a timely manner.
➢ The group should also advise Corporate Management Team on risk management issues referred to it by directorates.
➢ The group should adopt SMART reporting techniques for all issues sent to the group from whatever source.
➢ The Strategic Risk Management Group manages Corporate risks which affect the Council's ability to fulfil its Corporate Objectives and is concerned with major Business risk.
➢ The Operational Risk Management Group will manage Operational risks which affect the Council's ability to run its day to day services.

Minutes and Reports

Minutes of meetings should be kept and the Chairman of each Group should present these to the Corporate Management Team at the next available meeting. All reports issued by the groups should also be reported to CMT. Once minutes and reports are approved by the CMT they should be posted onto the risk management page of the Intranet.

FYLDE BOROUGH COUNCIL

working together for excellence

Strategic Risk Register 2009-2010

Risk Management Action Plan No: 1
Champion – Director of Strategic Development

Planning & Development	Description: Capacity of deliver the Council's Local Development Framework
Council Objective	The promotion and enhancement of the natural and built environment

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Fylde Coast Housing Strategy under development		1.1 Reassess resources required to complete the LDF and report to Cabinet	P Walker/ A Donnelly	Agreed resourcing plan for 2009/10		May 09
Several research studies on a range of issues undertaken to shape LDF		1.2 Receive peer review report and agree action plan	P Walker	Action plan in place		June 09
Used more s106 agreements in planning		1.3 Set up Joint Member Steering group for Core Strategy preparation	A Donnelly	Member steering group established and operating		June 09
Delivered more affordable housing than any other Lancs District		1.4 Review the Local Development Scheme (LDS) statutory requirement	A Donnelly	Review LDS and notify GONW		June 09
Using our assets to support affordable housing		1.5 Complete Housing Strategy	A Foot	Strategy adopted		July 09
Housing partnership in place		1.6 Produce regeneration Framework	P Drinnan	Regeneration framework adopted		July 09
Agreed LDS as framework for planning policies		1.7 Complete the Strategic Housing Land Availability Assessment (SHLAA)	A Donnelly	Completion of key stages and adoption by members	Monthly	July 09
Member learning hour		1.8 Undertake a study of the potential of the borough to accommodate renewable energy and low carbon technology projects.	A Donnelly	Completion and adoption of study		Nov 09
Strategic housing role/planning role in 1 portfolio and management area		1.9 Undertake viability study in relation to the provision of affordable housing.	A Donnelly	Completion and adoption of study		Nov 09
Spatial planning peer review		1.10 Complete Tourist Accommodation Study	A Donnelly	Completion and adoption of study		June 09
SHLAA started		1.11 Sustainability Appraisal Scoping Report Update	A Donnelly	Completion and adoption of study		Sept 09

On target to deliver affordable housing targets		1.12 Undertake sustainability appraisal of Core Strategy Development Options	A Donnelly	Completion and adoption of study		Sept 09
Hsg/Planning delivery grant		1.13 Undertake regulation 25 consultation stage of the Core Strategy in accordance with SCI	A Donnelly	Regulation stage completed satisfactorily		Nov 09
Parish plans						
MAA						

Risk Management Action Plan No: 2
Champion – Assistant Chief Executive

2009/10 Risk Register

Economic Development	Description: Capacity of deliver the Council's Economic Strategy
Council Objective	Supporting and sustaining a strong and diverse Fylde Coast Economy to further enhance employment prospects

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Regeneration Team	2.1 Secure LCC match funding for Economic Development Officer	Tracy Scholes	Funding approved or rejected		July 09
External Funding	2.2 Commence consultation on Economic Development Strategy	Director with responsibility	Consultation completed		Oct 09
Internal Funding – capital/revenue funding	2.3 Negotiate with Blackpool re delivery of Small Business Support	Tracy Scholes	Contract commenced		July 09
LSP Group	2.4 Open Golf – maximise opportunities and plan for 2012 including the establishment of Classic Resorts Framework	Tracy Scholes / Paul Drinnan	NWDA presentation , partner meetings, MAA project		Mar 10
Tourism Officer	2.5 Members to decide on priority for Economic Development	Phillip Woodward	Addressed in new structure		July 09
Awards for Regen	2.6 Regeneration framework	Paul Walker	Strategy prepared & approved		Oct 09
MAA	2.7 Consideration adoption of Visitor Economy Pilot	Paul Drinnan	Report to Planning Policy 18/06/09 & Cabinet 15/06/09		June 09
Visitor Economy Pilot	2.8 Develop Fylde Action Plan of Fylde Coast Cultural Strategy	Clare Platt	Action plan developed and implemented		Mar 10
Draft ED Strategy					
Revamped Lytham Chamber of Trade					
£60k funding for small business support programme					
Open Golf 2012					
Ladies Golf 2009					

LAA					
Ribble wetlands regional park					

Risk Management Action Plan No: 3   2009/10 Risk Register
Champion – Director of Operational Services

Wyre Contract	**Description:** Management of the Wyre Contract
Council Objective	Achieved by Delivering high quality, cost effective services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Contract in place		3.1 Develop exit strategy	Director of OS	Contract exit plan in place	12 mths	Dec 09
Client/Contractor meetings monthly		3.2 Develop future service delivery for Fylde	Director of OS	Service development plan	12 mths	Dec 09
Shared services arrangements in other areas		3.3 Rationalise and reduce ongoing costs – vehicles	Director of OS	Relocation of Poulton Depot, Vehicle replacement strategy in place. Robust service development plan in place.	12 mths	Apr 10
Top quartile recycling performance		3.4 Develop defined contracts for new starters on Wyre contract	Director of OS	New contract arrangements agreed with HR.	12 mths	Oct 09
		3.5 Procure Motor Fleet report from Zurich Municipal	Andrew Wilsdon	Motor Report Received		Oct 09

Risk Management Action Plan No: 4
Champion – Chief Executive Officer

2009/10 Risk Register

Financial Standing & Capacity	**Description:** Management of the Council's Financial Standing & Capacity
Council Objective	Achieved by Delivering high quality, cost effective services

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Medium Term Financial Strategy		4.1 Achieve efficiency targets	All Directors	Efficiency targets within profile	Quarterly	Year end
Budget Monitoring System		4.2 Develop clarity with Members on the prioritisation of resources	Director of Corporate Resources	Review of corporate priorities undertaken with Members	One off	Oct 09
Capitalisation Submission		4.3 Develop clarity on the scope and quality of services to be delivered by FBC	Chief Executive	Review undertaken with Members as part of the update of "Moving to Excellence"	One off	Sept 09
Efficiency Targets		4.4 Identify opportunities to secure funds from LAA reward grant via the LSP	Assistant Chief Executive	Progress reports presented to Management Team	Quarterly	Year end
Good VFM Service		4.5 Complete a staff skills audit	Director of Performance and Business Improvement	Skills audit undertaken	One off	Dec 09
Clearer accountability through financial Regulations		4.6 Invest in staff training & development	All Directors	Training & development demands identified through staff PDA's	One off	July 09
Participating in MAA/LAA		4.7 Review the appropriate level of balances for the Council to retain.	S 151 Officer	Report considered by appropriate body of Members	One off	Oct 09
One-off IT budget savings returned for networking & equipment						

Risk Management Action Plan No: 5
Champion – Director of Corporate Resources

Partnerships/Shared Services	**Description:** Management of the Council's Partnerships/Shared Services
Council Objective	Achieved by Delivering high quality, cost effective services

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
O&S of Partnership Arrangements	5.1 Assimilate Finance into corporate arrangements	P Woodward	Management restructure completed	One-off	Sept 09
IA review in 2009/10 programme	5.2 Continue & complete O&S reviews of Partnership/Shared Service arrangements	A Womack	All Shared Services reviewed by Scrutiny Committee	One-off	Mar 10
Partnerships Protocol	5.3 Produce a review and evaluation tool to assist O&S members in their review.	D Joy	Evaluation tool produced and provided to scrutiny committee	One-off	Mar 09
KPMG reviewing s151 arrangements	5.4 Produce a revised review programme for 2009-10	A Womack/D Joy	Scrutiny work programme for 2009-10 agreed by Scrutiny Management Board	Monthly by SMB	Mar 09
Regional recognition for partnering arrangements					

Risk Management Action Plan No: 6   2009/2010 Risk Register
Champion –   Chief Executive Officer

Economic Downturn / Credit Crunch	**Description:** The adverse effects the council faces because of the downturn in the national /local economy and the continuing credit crunch
Council Objective	All

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Medium Term Financial Strategy	6.1 Review activity in the key work areas of FBC that may be affected by economic downturn (benefits, housing advice, income generation)	All Directors	Progress reports considered by Management Team	Quarterly	July 09
Freezing vacant posts	6.2 Procedure for filling vacancies to include consideration of redeployment from existing resources where service demands are reduced	CEO/S. 151	Check list employed when vacancies considered.	When Necessary	Year end
Potential savings	6.3 Communicate the relationship between the MTFS and current / future objectives.	MT/Cabinet	Articles in Grapevine & Members' Newsletters	Half Year	Year end
Non-essential budgets frozen	6.4 Communicate the relationship between agreed budget savings and future service levels.	CEO	Articles in Grapevine & Members' Newsletters	Half Year	Year end
Review of Fees	6.5 Maintain regular briefings for Cabinet and shadow cabinet members.	All Directors	Progress reports considered by Management Team	Quarterly	Oct 09
Looked to central gov't for support					
Budget/financial monitoring					
Instructions to budget holders re spending restrictions					
Workshop with Members					
Council Meetings					
Restructure savings?					
BPR – efficiency					

Broader partnerships MAA					
Shared services i.e. Wyre					
Shared ownership – rents					
Car Parking Discounts					
Disposal of Heeley Depot					

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	**AUDIT COMMITTEE**	**25TH JUNE 2009**	**7**

INTERNAL AUDIT ANNUAL REPORT 2008-09

Public Item

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

Summary

The report summarises the work undertaken by internal audit from April 2008 to March 2009 and performance information for the same period. It includes an opinion on the soundness of the Council's internal control environment.

Recommendation

1.   To approve the annual report of the Head of Internal Audit

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 following Cabinet portfolio:
Finance & Resources (Councillor Roger Small)

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 to assess its internal control system.

1.2 Definition of Internal Audit

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, 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

The Accounts and Audit Regulations require the Council to maintain an adequate and effective internal audit of its accounting records and control systems. This report provides the Audit Committee with information on work undertaken and assurances gained in these respects between 1st April 2008 and 31st March 2009. In particular, assurance on the overall system of internal control is provided.

The report also summarises the activities of internal audit for the financial year 2008-09 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, control and governance processes.

2.2.2 In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2009, the Council has adequate and effective risk management, governance and internal control processes to manage the achievement of the authority's objectives.

2.3 Scope of the Internal Audit Opinion

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

- The results of all internal audits undertaken during the year ended 31 March 2009 (see Table Two for details of the opinions given during the year);
- The results of follow-up action taken in respect of audits from previous years;
- Whether or not any fundamental or significant recommendations have not been accepted by management and the consequent risks;
- The affects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee and/or Authority;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon internal audit that may have impinged on the ability to meet the full internal audit needs of the organisation.

2.4 Basis of the Opinion

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

Risk Management

2.4.2 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 Risk Management Group is fundamental to the process and meets regularly 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. An audit of the risk management process carried out during the year, was able to provide the Council with substantial assurance that the controls in operation were adequate and were being applied.

Governance

2.4.3 During the year, a review was concluded on Borough Election Payments, which identified a number of issues and the level of assurance provided was moderate. Recommendations to address the issues have been agreed for all future such elections. 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, governance issues were also reviewed and there were no fundamental weaknesses to report.

Internal Control

2.4.4 During the financial year 2008-09 twenty two (22) reports have been issued. All have been accepted by management and except in one case action plans are now in place. Two reports are still at the draft stage. Copies of the reports and action plans were placed in the Members Room on the completion of each review.

2.4.5 In the action plans arising from audit work we categorise recommendations as high, medium or low priority. High indicates a significant control weakness that may lead to material loss, exposure to fraud or failure to meet regulatory requirements. Medium suggests a less important

vulnerability not fundamental to system integrity. Low priorities relate to good practice improvements or enhancements to procedures.

2.4.6 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 weaknesses that may put some of the system objectives at risk
2	Limited Assurance	There are some significant weaknesses in key areas in the systems of control that could put the system objectives at risk
1	No Assurance	The control framework is generally weak leaving the system open to significant error or abuse

2.4.7 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
Car Allowances & Expenses	-	7	4	Substantial
Treasury Management	2	4	8	Moderate
BVPI[1]	-	-	-	-
Internet Usage	-	10	1	Limited
IT Audit - Civica[2]	-	9	3	-
Land Transactions[1]	4	1	-	-
Election Payments	-	5	2	Moderate
Streetscene Assurance (Operations)	1	3	4	Moderate
Streetscene Assurance (Community)	-	5	4	Moderate
Payroll	-	7	4	Moderate
Confidential Waste	-	10	4	Limited
Cash Collection (Central Cashiers)	2	10	2	Moderate
Cash Collection (Fylde Direct)	-	5	4	Moderate
Cash Collection (Remote)	-	7	3	Moderate
Mobile Phone BPR[3]	-	2	1	-
Building Security BPR[3]	-	-	4	-
Sundry Debtors	1	8	4	Moderate
Creditors	2	7	5	Moderate

Treasury Management				
Risk Management	-	8	1	Substantial
Council Tax/Business Rates				
Housing Benefits	-	1	-	Substantial
Total	12	109	58	

[1] Non-Assurance Review
[2] Review performed by LCC
[3] Investigation

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

Table Three: Assurance Ratings

Audit Area	2006/07	2007/08	2008/09
All Reviews Average	3.4	3.4	3.1
Main Financial Systems:	3.4	3.7	3.4
Business Rates	*4.2*	*4.3*	*3.8*
Cash Collection	*3.0*	*3.5*	*3.5*
Council Tax	*3.8*	*4.3*	*3.8*
Creditors	*3.2*	*2.9*	*2.9*
Housing Benefits	*4.5*	*4.8*	*4.1*
Main Accounting	***	***	*3.5*
Payroll	*2.5*	*3.0*	*3.0*
Sundry Debtors	*3.1*	*3.9*	*3.3*
Treasury Management	*2.7*	*2.8*	*2.4*

* Not Undertaken
◊ In progress
[1] Draft Assurance

2.4.9 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 3.1. Main financial systems had an average score of 3.4. In both cases the figures show a slight downturn on the previous year, reflecting the many changes in service delivery and operational pressures facing management during this transitional year. However in both cases the scores are above the moderate assurance level and indicate that on the whole there is a sound framework of control.

2.4.10 There were twelve high priority risks brought to the attention of management during the year. Dates for remedial actions to be in place were agreed with management for all of them, although these have slipped in two cases.

2.4.11 Table Four sets out the issues, the relevant department and the agreed dates for resolution.

Table Four: High Priority Risks Identified

Risk	Director	Resolution Date
1. No confirmation of investment transactions to bank or broker records	Finance	Jun 08
2. Lack of supervisory checks in relation to short term cash investments	Finance	Jun 08
3. No specific procedures relating to land transactions	Strategic Development	Jun 09
4. Project management process not fully embedded	Strategic Development	Jun 09

5.	Weak arrangements for reporting offers to purchase land	Strategic Development	Nov 08
6.	Need to regularise informal arrangement for land occupation	Strategic Development	Oct 08
7.	Failure to obtain formal advance authorisation for purchases	Operational Services	Oct 08
8.	Unnecessary storage of sensitive personal data	Finance	Nov 08
9.	Weakness in telephone payment security arrangements	Finance	Nov 08
10.	Lack of supervisory checks in relation to sundry debtor transactions	Finance	Apr 09
11.	Weaknesses in arrangements relating to Direct Debit payments	Finance	Mar 09
12.	Lack of supervisory checks in relation to creditor transactions	Finance	Apr 09

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

- Seven risks have been addressed in full or substantially – numbers 5, 6, 7, 8, 9, 10, 12
- Three risk actions are yet to be finalised but discussions are in hand – numbers 1, 2, 11
- Two risks actions have not yet reached the agreed date for resolution – numbers 3, 4

Follow Up

2.4.13 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Twenty three (23) follow-up reviews have been completed during the year. Table Five shows the total number and percentage 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
Vehicle & Plant	16	12	75%
Cash Collection (Central Cashiers)	10	10	100%
Cash Collection (Fylde Direct)	8	8	100%
Cash Collection (Remote)	5	4	80%
Car Parking	17	12	71%
Car Allowances	11	11	100%
Payroll	13	13	100%
Confidential Waste	14	14	100%
Creditors	9	6	67%
Sundry Debtors	8	8	100%
Interests, Gifts & Hospitality	12	10	83%
Stores (Bins & Sacks)	9	4	44%
Stores (CVMU)	10	3	30%
Stores (Lowther Pavilion)	6	4	67%
IT Audit (Civica)	12	5	42%
(former) Streetscene Assurance (CS)	9	8	89%
(former) Streetscene Assurance (OS)	8	7	88%

Housing/CTax Benefits	2	2	100%
Building Security	15	14	93%
Mobile Phones	3	2	67%
Council Tax/Business Rates	4	4	100%
Internet Usage	11	11	100%
Treasury Management	11	3	27%
Total	223	175	79%

2.4.14 The overall implementation rate for 2008/09 is 79%. Almost all the action plans not completely implemented are now being monitored through the Escendency performance management system with revised dates for any outstanding actions agreed. It is anticipated that the final rate of implementation for these audits and overall will be noticeably higher than at present.

2.4.15 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.

Table Six: High & Medium Recommendations Implemented

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
Vehicle & Plant	-	-	6	2	75%
Cash Collection (Central Cashiers)	-	-	3	-	100%
Cash Collection (Fylde Direct)	-	-	5	-	100%
Cash Collection (Remote)	-	-	4	1	80%
Car Parking	-	-	5	4	56%
Car Allowances	-	-	6	-	100%
Payroll	1	-	7	-	100%
Confidential Waste	-	-	10	-	100%
Creditors	1	-	3	3	57%
Sundry Debtors	-	-	5	-	100%
Interests, Gifts & Hospitality	-	-	7	1	88%
Stores (Bins & Sacks)	-	-	4	3	57%
Stores (CVMU)	1	-	2	7	30%
Stores (Lowther Pavilion)	-	-	3	1	75%
IT Audit (Civica)	-	-	3	6	33%
(former) Streetscene Assurance (CS)	-	-	4	1	80%
(former) Streetscene Assurance (OS)	1	-	2	1	75%
Housing/CTax Benefits	-	-	1	-	100%
Building Security	1	-	7	1	89%
Mobile Phones	-	-	1	1	50%
Council Tax/Business Rates	-	-	4	-	100%
Internet Usage	-	-	10	-	100%
Treasury Management	-	2	-	1	0%
Total	5	2	102	33	75%

2.4.16 The percentage of high and medium priority recommendations implemented in 2008-09 was 75%. The classification of recommendations as 'high', 'medium' or 'low' priority is an indication to

managers where resources might best be applied. The analysis of tables five and six indicates almost an equal likelihood to implement recommendations regardless of their allocated priority suggesting that the approach to implementation does not necessarily focus on the most significant issues.

3 Other Internal Audit Work

3.1 Special Investigations and Counter Fraud Work

3.1.1 During the year the audit team undertook three special investigations into allegations of fraud and corruption. All were the result of information provided by "whistleblowers". In two cases the investigation resulted in disciplinary action against the employees concerned. In the remaining case the preliminary report has recommended a disciplinary hearing. Table Seven summarises the results of the various special investigations during 2007-08 compared with previous years.

Table Seven: Results of Special Investigations

Outcome	Number 2006-07	Number 2007-08	Number 2008-09
Disciplinary action	1	4	2
Employee Resigned prior to conclusion	-	1	-
No evidence to support allegation	2	1	-
Inconclusive evidence	2	1	-
Investigation aborted	-	1	-
Police investigation, inconclusive	2	-	-
Standards Board referral, no action	1	-	-
Investigation Ongoing	-	-	1
Total	8	8	3

3.1.2 Altogether a total of 18 days was taken up dealing with reactive fraud work during the year. This compares with a total of 95 days spent on fraud in 2007-08 and 21 days in 2006-07. Clearly the amount of fraud work required is not predictable and its impact on the achievement of the audit plan can be considerable.

3.1.2 Internal audit has acted as key contact for the National Fraud Initiative biennial data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and electoral information for a data matching exercise.

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

- completed Audit Commission Fraud & Corruption modules to highlight areas of potential fraud risk
- assisted with an ongoing external investigation
- delivered an anti-fraud briefing to senior departmental managers
- investigated a range of issues arising from special investigations and made recommendations for improvement
- identified building security concerns following unauthorised third party access
- performed a 'fitness for purpose' check on the Council's Anti-fraud and Whistleblowing policies

- prepared articles for Grapevine highlighting whistleblowing, building security and ethical conduct

3.1.4 In addition to the above from mid-September the Head of Internal Audit assumed client responsibility for the benefit fraud service which is currently provided under a draft Service Level Agreement with Preston City Council. The draft shared service agreement has been approved by the Council and its full implementation is imminent.

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, they will involve problem-solving issues as an aid to management for the enhancement of their service. The nature and scope of the work may include participation in projects, facilitation, process design, training, and advisory services, but this list is not exhaustive.

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

- Corporate Governance – as part of the new governance framework the Head of Internal Audit is a member of the Corporate Governance Group, which leads on the production of the Annual Governance Statement and the monitoring of the Corporate Governance Improvement Plan.
- Performance Management - performed a detailed verification of the information, data and calculations supporting the published BVPI figures in preparation for Audit Commission final review and approval. The input from Internal Audit resulted in a fully accurate publication of performance indicators for the third successive year.
- Use of Resources Key Lines of Enquiry – performed research and gathered evidence in support of the Audit Commission's best practice assessment of the Council's performance in relation to internal control and risk management.
- Strategic Risk Management – jointly led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management day in conjunction with the Risk Management Officer.
- Complaint Investigation – investigated a complaint from a local resident on behalf of KPMG, the Council's external auditors, to ensure Council procedures were properly followed.
- CPA Re-categorisation – the Head of Internal Audit was a member of the corporate group that co-ordinated and managed the project to secure an improved assessment under the Comprehensive Performance Assessment regime.
- Code of Connection – advised s.151 Officer concerning the national scheme to improve data access security and secured the establishment of a dedicated project group to co-ordinate and monitor progress.
- Partnership Working - researched and developed a set of core values to underpin collaborative partnership working.
- Business Process Re-engineering – the Senior Auditor is a trained member of the BPR Group and has contributed to several projects to raise the efficiency and effectiveness of Council operations within the context of a robust control framework.

3 Performance of Internal Audit

3.1 Meeting Internal Audit Needs

3.1.1 By delivering the revised plan approved by the Audit Committee, the internal audit needs of the authority have been satisfied. The need to revise the plan was caused by a recruitment time lag of 99 days between the date of one member of staff leaving and the commencement of the newly recruited officer, combined with a temporary freeze on recruitment that delayed the replacement of a second staff member.

3.1.2 A comparison of the number of days delivered in recent years and the staff FTEs are set out in Table Eight. The dip in resources available in 2008/09 was sustainable in the short term and has now been partially restored.

Table Eight: Internal audit days worked

Financial Year	Days Worked	FTE Staff
2006/07	719	3.5
2007/08	726	3.6
2008/09	553	2.7
2009/10 (plan)	626	3.1

3.2 Internal Audit Plan

3.2.1 A risk assessed annual audit plan was prepared for 2008-09 based on the resources available at the time. The plan was agreed by the Management Team and received approval from the Audit Committee. The total number of days in the original audit plan was 649, not including non-productive time for things such as holidays, sickness and training.

3.2.2 An amended plan was approved subsequently by the Audit Committee, which reduced the number of days to 518 to take account of reduced staff resources. In the event the outturn figure was 553 days, an increase of 35 days. 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	140	27.0	130	23.5
Other Financial systems audit	4	0.8	5	0.9
Non-Financial audit	33	6.4	37	6.7
Corporate Governance	25	4.8	17	3.1
Performance Management	35	6.7	35	6.3
Computer audit*	4	0.8	6	1.1
Anti-fraud audit	7	1.4	15	2.7
Other audit	17	3.3	25	4.5
Reactive audit	83	16.0	98	17.7
Consultancy & Advice	8	1.5	17	3.1
Corporate & Democratic	19	3.7	16	2.9
Management & Admin	120	23.2	126	22.8
Non-Audit Work	23	4.4	26	4.7
Total	518	100%	553	100%

* Does not include bought-in days

3.2.3 The analysis of outturn days shows that rather more time was spent on reactive work than was planned. This can be accounted for by days used in the management of the Benefit Fraud service and time allocated to the CPA re-categorisation project, both of which were not anticipated.

3.2.4 The percentage of the 2008-09 revised audit plan completed to 31 March was 93%, in excess of the 90% target for the year. However, taking into account the completion of ongoing audit work slipped into 2009/10 the annual rate now stands at 97%.

3.3 Client Satisfaction

3.3.1 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	86	60	40	-	-	-
Review was carried out in a timely and efficient manner	90	80	20	-	-	-
Auditors were polite, positive and professional	96	100	-	-	-	-
Involvement of auditee in the process was appropriate	86	60	40	-	-	-
Well structured and clear audit reporting	88	80	20	-	-	-
Findings and recommendations were accurate and useful	84	40	60	-	-	-
Review provided assurance or resulted in beneficial change	90	80	20	-	-	-
Average	89	62	38	-	-	-

3.3.2 It is pleasing to note that respondents considered 100% of the different aspects of the audit work undertaken to be either good or excellent, and that the overall satisfaction rate was 86%.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	25/06/09	

List of Background Papers		
Name of document	Date	Where available for inspection
Audit Plan 2008-09	March 2008	Internal Audit Office by arrangement
Audit reports & documents	Various	

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The report also contributes towards the production of the Annual Governance Statement which forms part of the Financial Statements of the Annual Accounts published each year by the Council. |

Legal	None arising directly from this report
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental Impact	None arising directly from this report
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

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF AUDIT	AUDIT COMMITTEE	25 JUNE 2009	8

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 and makes recommendations for improvement. 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.

2. The Committee recommends the Council to adopt the Statement of Purpose and Terms of Reference based on the full CIPFA model as set out in the Appendix D to this report incorporating amendments to reflect both the increased responsibilities already accorded to the Audit Committee and the Standards Committee's role in monitoring the members' Code of Conduct.

3. The Committee adopts the Training Programme set out in the report as the basis for enhancing the skills and experience of Audit Committee members.

4. The Committee resolves that all agenda papers are submitted sufficiently early to allow members reasonable time for preparation.

5. The Committee requires the Section 151 Officer or deputy to attend Audit Committee on a regular basis and at all times when financial or accounting business is to be considered, or where the need for advice on such matters may reasonably be anticipated.

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 Roger Small)

Background

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 2009/2010.

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. At the last meeting it was agreed that the Chair and Vice Chair of the Audit Committee should carry out the initial self-assessment review against the checklist, supported by the Head of Internal Audit (Appendix A). This report presents the result of the effectiveness review. In future 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. However, there were four areas where partial divergence from the standard resulted in a recommendation for improvement.

6. The self assessment checklist and proposed Statement of Purpose and Terms of Reference are attached as Appendices to this report.

Recommendations arising from Self-Assessment Checklist

7. Terms of Reference

7.1 Fylde's Audit Committee's Terms of Reference (Appendix B) differ from those recommended by CIPFA (Appendix C). The main differences are that the CIPFA document suggests a formal Statement of Purpose and gives the Committee a wider remit in terms of commission work from internal and external audit, and a role in the appointment of the external auditor.

7.2 Recommendation: That the Audit Committee adopts the Statement of Purpose and Terms of Reference based on the full CIPFA model with additions to reflect the increased responsibilities already accorded to the Committee in terms of the final accounts and amendments to the Constitution (Appendix D).

8. Member Training

8.1 The CIPFA document also 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.

8.2 Recommendation: That a training programme for the committee be established. Areas that might be useful are financial reporting, understanding financial statements, governance, the regularity framework and the importance of risk management. The following programme is suggested for adoption by the Chair/Vice:

Training Content	Suggested Date for Delivery
1. Role of the Audit Committee	Delivered 23/09/08 Periodically to all new members of the committee
2. Corporate Governance	Delivered through Members' Learning Hour Programme 2008
3. Financial Statements	2009/2010
4. Risk Management	2009/2010
5. Role of External Audit	2009/2010 (depending on availability)
6. Role of Internal Audit	2010/2011
7. Internal Control Framework	2010/2011

9. Timeliness of Reports

9.1 The CIPFA guidelines suggest that agenda papers should be circulated far enough in advance of meetings to allow adequate preparation by members. The self assessment showed that this generally happened, but that some reports were submitted late in particular, the Annual Statement of Accounts.

9.2 Recommendation: That all agenda papers are submitted sufficiently early to allow members reasonable time for preparation.

10. Section 151 Officer

10.1 The CIPFA guidance comments that the Section 151 Officer or deputy should be regular attendees at meetings of the Audit Committee. Although full attendance had not been achieved this was not thought to be a significant issue. However, where there are items specifically relevant the Section 151 Officer or deputy should attend.

10.2 Recommendation: That the Section 151 Officer or deputy should attend Audit Committee on a regular basis and at all times when financial or accounting business is to be considered or where advice on such matters may reasonably be anticipated.

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

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

Attached documents

1. Audit Committee Checklist.

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

Management	

AUDIT COMMITTEE – SELF ASSESSMENT CHECKLIST **Appendix A**

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 agreed by Council on 28th July 2008. They are reviewed and updated annually by Audit Committee.
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. However, the Statement of Purpose and the Terms of Reference suggested by CIPFA have not 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?	✓			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.

The triennial reviews of Internal Audit carried out by the Audit Commission, are also reported to the Audit Committee.

There will also be an annual review of the effectiveness of the system of Internal Audit for the Audit Committee to review its findings. |

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 on a regular basis.
◆　　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.
◆　　whistleblowing policy	✓			The Whistleblowing Policy is approved by the Audit Committee.
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?		✓		The Chair of Audit Committee is free of executive functions but serves on two Scrutiny Committees although not as a Chair/Vice. The independence of the Chair was not thought to be compromised.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are members sufficiently independent of the other key committees of the Council?		✓		In the main yes but two Members act as Vice Chairs of scrutiny committees and one acts as Vice Chair of the Development Control Committee. The independence of the Audit Committee was not thought to be compromised.
Have all members' skills and experiences been assessed and training given for identified gaps?	✓			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. (Specific training for the Audit Committee is considered below)
Can the committee access other committees as necessary?	✓			The Audit Committee is a committee of the Council and can access other Committees as necessary and appropriate.
Meetings				
Does the committee meet regularly?	✓			At least four times a year in accordance with the committee's terms of reference, but in 2008-09 the committee actually met on six occasions.
Are separate, private meetings held with the external auditor and the internal auditor?	✓			Private meetings with internal and external audit do not happen as a matter of course but if such meetings were required they could be arranged. In reality, the Chair of the Audit Committee or any member can meet with the Head of Internal Audit at any time.
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.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?		✓		In general papers are circulated well in advance and agenda papers are also available on the internet. However, some reports have been submitted late such that members had insufficient time to properly assimilate the contents. In particular, the Annual Statement of Accounts is sometimes not submitted by the standard closing date for reports. This can result in members having limited time for preparation.
Does the committee have the benefit of appropriate officers at its meetings?	✓			The Chief Executive, Section 151 Officer and the Head of Internal Audit are regular attendees. Other officers attend as required. Representatives of the Audit Commission and KPMG also attend as necessary.
Training				
Is induction training provided to members?	✓			Yes – all new members receive corporate induction training. In terms of the Audit Committee most members of the committee have attended a presentation on the role of the Audit Committee.
Is more advanced training available as required?			✓	Currently more advanced training for the Audit Committee has not been provided specifically, although all members and a more structured learning programme should be developed.
Administration				
Does the authority's s151 officer or deputy attend all meetings?		✓		The Section 151 Officer has attended 6 of the last 10 meetings. At one of the 4 meetings not attended by the Section 151 Officer the Chief Executive was in attendance, and at one other the only item on the agenda was the review of the Constitution, which the Head of Legal Services attended. There remain two other meetings where neither the Section 151 Officer nor the Chief Executive was present.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are the key officers available to support the committee?	✓			Yes – key officers are available to support the Committee. However, there was a short period when administrative support was not properly focused. Briefing meetings were not dealt with as for other committees and committee resolutions were not monitored effectively. This has now been rectified.

Audit Committee Terms of Reference (existing)   Appendix B

1. Approving the council's annual statement of accounts

2. Approving (but not directing) internal audit's strategy, plan and performance

3. Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary

4. Considering reports of external audit and inspection agencies

5. Considering the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements

6. Seeking assurances that action is being taken on risk related issues identified by auditors and inspectors

7. Being satisfied that the authority's assurance statements, including the Annual Governance[1] Statement, properly reflect the risk environment and any actions required to improve it

8. Ensuring that there are effective relationships between external and internal audit, inspection agencies and relevant bodies, and that the value of the audit process is actively promoted

9. Reviewing the financial statements, external auditors opinion and reports to members, and monitoring management action in response to the issues raised by external audit

10. Advising the council on changes to the constitution

Procedures

In relation to its Internal Audit functions the Audit Committee will

- meet a minimum of four times per year, (timetable to be agreed), to receive reports from the Head of Internal Audit who may report directly to the Chairman of the Committee if deemed necessary; and

- have the authority to require the attendance of any elected Member or Officer of the Authority

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1 Wording changed following the council meting on 28 July 2008

CIPFA Guidance – Model Terms of Reference   **Appendix C**

Statement of Purpose

The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

1. Audit Activity

    a) To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
    b) To consider summaries of specific internal audit reports as requested.
    c) To consider reports dealing with the management and performance of the providers of internal audit services.
    d) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
    e) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
    f) To consider specific reports as agreed with the external auditor.
    g) To comment on the scope and depth of external audit work and to ensure it gives value for money.
    h) To liaise with the Audit Commission over the appointment of the council's external auditor.
    i) To commission work from internal and external audit.

2. Regulatory framework

    j) To maintain an overview of the council's constitution in respect of contract procedures rules, financial regulations and codes of conduct and behaviour.
    k) To review any issue referred to it by the chief executive or a director, or any council body.
    l) To monitor the effective development and operation of risk management and corporate governance to the council.
    m) To monitor council policies on "Raising Concerns at Work" and the anti-fraud and corruption strategy and the council's complaint process.
    n) To oversee the council's arrangements for corporate governance and agreeing necessary action to ensure compliance with best practice.
    o) To consider the council's compliance with its own and other published standards and controls.

3. Accounts

    p) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
    q) To consider the external auditor's report to those charged with governance on issues arising from the audit of accounts.

DRAFT ONLY

Fylde Borough Council - Proposed Terms of Reference   Appendix D

Statement of Purpose
The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects Fylde Borough Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

1. Audit Activity

a) To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
b) To approve (but not direct) internal audit's strategy, plan and performance.
c) To consider summaries of specific internal audit reports as requested.
d) To consider reports dealing with the management and performance of Internal Audit.
e) To consider a report from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
f) To consider the Audit Commission's annual letter, relevant reports and the report to those charged with governance.
g) To consider specific reports as agreed with the Audit Commission.
h) To comment on the scope and depth of external audit work and to ensure it gives value for money.
i) To liaise with the Audit Commission over the appointment of the council's external auditor.
j) To commission work from internal and external audit.
k) To ensure that there are effective relationships between external and internal audit, inspection agencies and relevant bodies, and that the value of the audit process is actively promoted

2. Regulatory framework

l) To maintain an overview of the council's constitution in particular the Contract Procedure Rules, Financial Regulations and Codes of Conduct.
m) To advise the Council on changes to the Constitution.
n) To review any issue referred to it by the Chief Executive or a Director, or any council body.
o) To monitor the effective development and operation of risk management and corporate governance within the Council.
p) To ensure that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it
q) To monitor council policies on Whistleblowing and the Anti-Fraud and Corruption Policy and Strategy and the council's complaint process.
r) To oversee the council's arrangements for corporate governance and agreeing necessary action to ensure compliance with best practice.
s) To consider the council's compliance with its own and other published standards and controls.

3. Accounts

    t)   To review and approve the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

    u)   To consider the Audit Commission's report to those charged with governance on issues arising from the audit of accounts.

Procedures

The Audit Committee will

- meet a minimum of four times per year, (timetable to be agreed),

- receive reports from the Head of Internal Audit who may report directly to the Chairman of the Committee if deemed necessary,

- meet the external auditor and Head of Internal Audit in private if deemed necessary, and

- have the authority to require the attendance of any elected Member or Officer of the Authority.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF LEGAL SERVICES	**AUDIT COMMITTEE**	**25 JUNE 2009**	**9**

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 lcoal code of corporate governance for approval.

Recommendation

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

Reasons for recommendation

To meet the statutory 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:

Report

1. A sound system of corporate governance underpins the achievement of all the Council's corporate objectives. It is central to ensuring that the Council is a high performing organisation and forms a significant element of the Comprehensive Performance Assessment (CPA) and Use of Resources assessment regimes.

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 2003, 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, consisting of the chief executive, the section 151 officer, the head of internal audit, the monitoring officer and the executive manager for democratic services and member support and the chief internal auditor, or the nominee of each such officer, 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 significant non-compliance issues, 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 2003.
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.

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	25 June 2009	

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	April to June 2009	Town Hall, St Annes

Attached documents

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2009

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 2009 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.

<u>Political structure</u>

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 has also been introduced during the course of the year, allowing 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 four 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 four committees work 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 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 Head of Legal Services as Monitoring Officer. The Monitoring officer must ensure compliance with established policies, procedures, laws and regulations. He must report to the full Council or cabinet as appropriate if he 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 its 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.

Four 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 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. The authority's Partnership Working Protocol has been developed and is applied to ensure that appropriate governance arrangements are in place with those partnerships to ensure that aims and objectives can be achieved.

Review of effectiveness

The authority supplements the mandatory Audit Commission judgements on use of resources and direction of travel by annually assessing itself against the relevant criteria. 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 Section 151 Officer, the Monitoring Officer, the Corporate Resources Director 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.

Significant Governance Issues

Building on 2008/09 improvements, the Council has identified the following areas where it wishes to see improvements in 2009/10:

The Council will work further to implement the Council's Medium Term Financial Strategy ensuring that the level of reserves are reviewed and maintained and that budgetary control procedures are enhanced during the course of the year. The Council will also ensure that the purchase ordering system which comprises part of the financial management system CIVICA is embedded.

The Council will continue to build on recent Value for Money work to ensure the relationship of cost, outcomes and performance is understood and used to improve and drive quality, efficiency and inform commissioning decisions

The Council will revise the Capital Strategy and existing Asset Management Plan to provide an asset base fit for purpose, providing Value for Money and maximising the use of assets for the benefit of the community

The Council will develop a framework to ensure that it is efficient in its use of natural resources and its impact on the environment

The Council will further develop its HR/Organisation and Workforce Development Strategy to reflect current challenges such as sickness absence and ensure that sufficient investment is made into employee training

The Council will put in place more robust arrangements to engage with stakeholders in line with the Duty to Involve requirements ensuring that feedback is used to guide future service delivery and failures are addressed through a corporate complaints system

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

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	25/06/2009	10

AUDIT COMMITTEE WORK PLAN 2009-10

Public Item

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

Summary

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

Recommendation

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

Reasons for recommendation

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

Alternative options considered and rejected

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

Cabinet Portfolio

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

Report

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

Report Author	Tel	Date	Doc ID
Governance and Partnerships Directorate	(01253) 658516	25/06/09	

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

Attached documents

1. Proposed Audit Committee Work Plan 2009-10.

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

Audit Committee Work Plan

Meeting Date	Report	Objective of Report	Responsible Person/Organisation
30 June 2009	Medium Term Financial Strategy – Outturn 2008/09 (including General Fund, Capital Programme & Treasury Management)	To note the report	Section 151 Officer
	Statement of Accounts 2008/09	To receive the Statement of Accounts	Section 151Officer
29 September 2009	ISA 206 Governance Report	To receive the governance report from the Council's External Auditors	Richard Foster KPMG
	Use of Resources		Richard Foster KPMG
	Update Report on IFRS	To note progress	Section 151 Officer
	KPMG 2008 Audits - Updates	Review outstanding recommendations.	Head of Internal Audit, Fylde Borough Council
	Audit Committee Work plan	To update the committee work plan	Governance and Partnerships Directorate
28 January 2010	Internal Audit Interim Report	Update on internal audit issues 2009/10	Head of Internal Audit, Fylde Borough Council
	Risk Management interim update	To review progress of the risk register 2009 - 2010 action plan	Risk Management and Insurance Officer, Fylde Borough Council
	IT Risk Assessment Action Plan	Review progress against item R5.	IT Manager – Andrew Marriot
	Annual Governance Statement	Update Annual Governance Statement 2008/09	Council's Solicitor
	Audit Committee Work plan	To update the committee work plan	Governance and Partnerships Directorate

Audit Committee

Date	Thursday 30th April 2009
Venue	Town Hall, St. Annes
Committee members	Councillor John Singleton (Chairman)
	Councillor Linda Nulty (Vice Chairman)
	Councillors Ben Aitken, Fabian Craig-Wilson, Cheryl Little, Ken Hopwood, Keith Hyde, Louis Rigby
Other Councillors	
Officers	Phil Woodward, Dave Joy, Bernard Hayes, Savile Sykes, Andrew Marriott, Hazel Wood
Other Attendees	Tom Keena, Richard Foster

1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 29th January 2009 as a correct record for signature by the chairman.

3. Substitute members

The following substitutions were reported under council procedure rule 22.3:

Councillor Ken Hopwood for Councillor Elizabeth Oades.

4. Annual Audit and Inspection Letter 2007/08

Tom Keena (Audit Commission) introduced the report on the Annual Audit and Inspection letter which outlined the Council's general performance during the previous year. He also gave the committee an overview on the Council's overall performance during the CPA inspection.

Richard Foster (KPMG) presented the use of resources assessment 2007/08 which was attached as an appendix to the report. He explained the detailed findings relating to Financial Reporting, Financial management, Financial standing, Internal control and Value for money.

Following discussion the Committee RESOLVED:

1. That the Chief Executive, the Section 151 Officer and the Council's Management Team be requested to provide a summarised report on work undertaken and proposed in response to the Audit and Inspection Letter at the Audit committee meeting on 25th June 2009.

2. That KPMG report back on the Use of Resources at the September meeting of the Audit Committee.

5. New International Financial Reporting Standards (IFRS)

Bernard Hayes (Finance Director and Section 151 Officer) briefed the committee on the progress made in relation to the introduction of the new financial reporting framework, whereby the accounts for local authorities would be prepared under International Financial Reporting Standards (IFRS), with effect from 2010/11.

The report provided an update on the background to the introduction of IFRS and summarised the key issues and main areas of the review that would be required in order to ensure that the Council was fully compliant with IFRS for the year ending 31st March 2011.

Members raised a number of questions regarding the quarterly expenditure reports and Mr Hayes provided details of the current position.

Following discussion the Committee RESOLVED:

1. To note the New International Financial Reporting Standards (IFRS) Report and a detailed plan for implementation to be reported back to the committee in January 2010.

2. That the Section 151 Officer present the Financial Outturn report for 2008/09 to the meeting of the Audit Committee on 25th June.

6. IT Risk Assessment Action Plan

Andrew Marriott (IT Manager) introduced the report which provided the committee with a progress update against the IT Risk Assessment Action Plan produced in 2007. The report had been produced at the request of the committee. Details of events and changes in the IT service area over the last 12 months was also included in the report which provided members with a comprehensive understanding of the current challenges.

Following discussion the Committee RESOLVED:

1. That the committee recognise the actions taken to address the recommendations raised by the Risk Assessment Audit and sign off the plan as completed with exception of R5 which would be ongoing until September 2009.

2. That the committee review progress against item R5 of the IT Risk Assessment Action Plan at the Audit committee meeting in January 2010.

7. KPMG 2008 Audits - Updates

Dave Joy (Deputy Chief Executive) presented the report on the progress to date in responding to recommendations from KPMG following audits undertaken in 2008.

RESOLVED: To note the progress made in response to the recommendations of KPMG following audits in 2008 and to review the outstanding recommendations at the September Audit committee meeting.

8. Corporate Governance – Improvement Plan 2008/09

Dave Joy (Deputy Chief Executive) introduced an update on all the issues currently included in the Corporate Governance Improvement Plan 2008/09 as detailed in the report.

Following discussion the Committee RESOLVED:

1. To note the latest position with regard to each of the issues currently included on the Corporate Governance Improvement Plan 2008/09.

2. To express their concern about the non-implementation of AGS1 but recognise the on-going work on this matter and the proposed consideration and monitoring of this matter by the Performance Improvement Scrutiny Committee in July 2009.

9. Internal Audit Strategy

Savile Sykes (Head of internal Audit) gave the committee an overview of the report on the councils proposed Internal Audit strategy.

The strategy included the following sections:

- Criteria for Determining the Audit Opinion
- Strategic Aims
- Competency and Planning
- Approach
- Use of Resources
- Information and Communication Technology
- Special Investigations
- Partnerships
- Relationships
- Independence
- Method of Service Provision
- Skills and Resource Requirements
- Reporting
- Quality Assurance
- Review of Effectiveness

RESOLVED: That the Internal Audit Strategy be approved.

10. Internal Audit Plan

Savile Sykes (Head of internal Audit) presented the report which referred to the terms of reference for the Audit Committee which included approving but not directing internal audit's plan. The report outlined the Internal Audit Plan for the financial year 2009/10 and briefly described the methodology used in its production.

RESOLVED: That the Annual Internal Audit Plan 2009-10 be approved.

11. Audit Committee Work Plan 2009-10

Dave Joy (Deputy Chief Executive) outlined to the committee the proposed work plan for the Audit Committee during 2009-10. During discussion on this item the Vice Chair raised for consideration the report circulated to Members of the Committee in relation to the financial circumstances experienced by the Streetscene Business Unit during 2007/08. The work plan covered the annual cycle of governance work and the key dates for receipt and consideration of statutory documents which were contained within the terms of reference of the Audit Committee.

Following discussion the Committee RESOLVED: To approve the proposed work plan for 2009/10 and to agree that the work plan be considered as a regular agenda item at future meetings of the committee.

12. Effectiveness of the Audit Committee

Savile Sykes (Head of internal Audit) presented the report which highlighted the need for reviewing the effectiveness of the Audit Committee by comparing existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

Following discussion the Committee RESOLVED:

1. That the Chairman and Vice Chairman undertake an initial self assessment of the Audit Committee against the checklist provided by the CIPFA.

2. That the self assessment be reported to the next meeting of the Audit committee with recommendations for any improvements.

3. That the self assessment be undertaken thereafter on an annual basis.