

## Audit Committee



Date:	Thursday, 20 September 2012
Venue:	Town Hall, St. Annes
Committee members:	Councillor Brenda Ackers (Vice-Chairman)  Councillors Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper, H Henshaw, Linda Nulty, Louis Rigby
Other Councillors:	Karen Buckley (Portfolio Holder for Finance and Resources), Charlie Duffy
Officers:	Alan Oldfield, Paul Walker, Tracy Morrison, Paul O'Donoghue, Savile Sykes, Gary Sams, Tim Cutler (KPMG), Paul Rogers
Other Attendees:	One member of the Public was present

### 1. Declarations of interest

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

### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 21 June 2012 as a correct record for signature by the Chairman.

### 3. Substitute members

There were no substitutions.

### 4. Annual Governance Statement

Tracy Morrison, Director of Resources, presented the Annual Governance Statement which had been prepared under the CIPFA/Solace Framework the Local code of corporate governance. She reminded members that the Annual Governance Statement was considered each year for approval and had been considered and approved at the June Audit committee meeting. The Council's auditors, KPMG had requested an amendment to strengthen the code which was that the role of the Chief Finance Officer accords with the governance requirements set out in the CIPFA Statement on the role of the Chief Finance

Officer. She referred the committee to the amendment which was set out in paragraph 2 on page 10 of the report.

Following discussion it was RESOLVED that the Annual Governance Statement, as amended, be approved for signature by the chairman.

## 5. Annual Statement of Accounts

Paul O'Donoghue, Chief Finance Officer, presented a report on the Annual Statement of Accounts for year ending 31 March 2012. He advised members that as Chief Finance Officer he was required to prepare that Statement of Accounts and ensure that they present a true and fair view of the financial position of the Authority. The Council had delegated authority to the Audit committee to approve the Accounts by 30 September 2012 and that was the purpose of the report. He drew the committee's attention to a significant change in 2011/12 regarding the treatment of accounting for heritage assets held by the Council and referred to paragraph 1.2 of the report. Other changes required for the first time this year were in respect of remuneration to senior officers and exit packages of Council officers who had left the employment of the Authority and also the way in which Revenue expenditure was to be recorded. These changes were set out in paragraph 1.3 of the report.

Mr. O'Donoghue referred to the Independent Auditors' report of the financial statements on page 21 of the report which was that in their opinion, having audited the accounts, the statements gave a true and fair view of the financial position of the authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended. Also that the statements had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

In referring to the various sections of the accounts, Mr. O'Donoghue referred to the explanatory forward on pages 24 to 34 of the report. He advised that the revenue position for 2011/12 was an in year surplus of resources of £1.1 million. He explained the transfer of funds from that surplus into earmarked reserves and into general fund balances which were shown on page 25 of the report. Page 27 of the report set out a high level summary of the capital expenditure for the year which totaled £2.895 million with the most significant items listed at the bottom of page 27. The financing of that capital expenditure was set out on the following page. The Treasury Management position was set out in Section 5 on page 28 which indicated the Council's borrowing requirement was £6.5 million for the year ended 31 March 2012, whilst actual borrowing at that date stood at £3.8million. The overview and review of the Council's financial position following outturn was indicated in section 6 on page 29. It referred to Medium Term Financial Strategy and updated members on some of the details within the strategy. Mr. O'Donoghue emphasized that the latest published financial forecast identifies that expenditure was estimated to exceed income by an average of £603,000 per annum over the next four financial years and that this position was not sustainable over the longer term. He made reference to the need to account for heritage assets, as mentioned earlier in the minute, and drew the committee's attention to the accounting policies in this regard as set out on pages 46, 47 and 48 of the report. He had been in discussion with KPMG, the Council's Auditors, regarding the revaluation of those assets and informed the Committee that a full revaluation of heritage assets was to take place during 2012/13. More detail in respect of officers' remuneration and exit packages were detailed on page 83 of the report.

With regard to a question regarding treasury management and interest rates, Mr. O'Donoghue reminded members that due to the Council having cash reserves during the

year, this enabled the Council to use that money to fund some expenditure thereby delaying the need to borrow and resulting in revenue savings.

Following detailed discussion it was RESOLVED to approve the Statement of Accounts for 2011/12 and submit them to Full Council accordingly.

#### 6. Report to Those Charged with Governance (ISA 260) 2011/12

Tim Cutler, representing KPMG, presented a report which had been prepared by KPMG, which summarised

- i) The key issues identified during the audit of the Council's financial statements for the year ended 31 March 2012, and
- ii) KPMG's assessment of the Council's arrangements to secure value for money in its use of resources.

The report concluded, that having regard to the relevant criteria for principal authorities as published by the Audit Commission, the Council had secured economy, efficiency and effectiveness. It also provided an opinion to verify that the Council had complied with all legal and regulatory frameworks with respect to its accounting arrangements resulting in an unqualified opinion.

Mr Cutler made reference to the introduction on page 119 of the report which provided an overview of the work which KPMG carry out in accordance with the Audit Commission's Code of Practice. As well as a rigorous audit of the Council's financial statements, KPMG were required to provide a Value for Money conclusion in its use of resources. He took members through the various sections of the report. He reported that he would not be suggesting any material or immaterial audit adjustments and any other changes were presentational or in relation to disclosures.

Councillor Brenda Ackers, Vice-Chairman, thanked Mr Cutler and his team for their work.

It was RESOLVED

- 1. That the report is noted and KPMG be thanked for its report.
- 2. That the Audit Committee notes the work undertaken by the Council over the course of the last year resulting in an extremely positive audit opinion of the Council's effectiveness.

#### 7. Guide/Criteria for Members Serving on Elected Bodies

Tracy Morrison, Director of Resources, presented a report which proposed a guidance /protocol for members serving on outside bodies. The committee was reminded that the scrutiny review of the Clifton Lytham Housing Association had made specific reference to the role of elected members on outside bodies. It had been previously endorsed by the Audit Committee that the development of such a protocol would assist in providing clarity on responsibilities.

Ms Morrison took members through the report and clarified the protocols and guidance which had been suggested together with core competencies for members serving on outside bodies. She also requested the committee to consider the core competencies for Ward councillors, Committee chairman, Cabinet members and Council Leader as shown on page 142 of the report. She emphasised that the core competencies were for members' guidance.

Councillor Ackers allowed Councillor Charlie Duffy to speak on the matter.

Councillor Duffy acknowledged that it was a good report with a few exceptions. He took the view that members should be competent to carry out an outside body appointment. He was also of the view that there should be something in the competencies which required that appointed members should be qualified to carry out the appointment effectively. He also suggested that point 2 on page 156 should apply to all bodies as well as Quasi Statutory bodies. He queried the guidance set out within the papers (paragraph 6, page 149) which set out that where when members were appointed as Directors of Limited Liability Companies that they had to act in the best interests of the Company and not the Council. Further clarity was required on this point by the Committee from the Council's Solicitor prior to formally making a recommendation to the Council on the adoption of the Protocol, or otherwise. Members felt that this could give rise to a conflict of interests and that elected members should have an over-riding responsibility to the Council. Councillor Duffy questioned that if responsibility legally rested elsewhere, why the Council would choose to be represented on such bodies.

It was RESOLVED to

1. Defer consideration of the Guidance/Protocol for Members Serving on Outside Bodies to enable further clarification on members' representation in the various areas referred to above to be submitted to the Audit Committee meeting on 14 November.
2. The other Core competencies developed by the Member Development Steering Group as detailed on page 142 of the report be commended to Council for approval.

#### 8. Internal Audit Service

Tracy Morrison presented a report which advised the Committee of the final outcome of the negotiations for a shared internal audit service between Fylde and Blackpool Councils. The report explained why the proposal was no longer being pursued and provided an assurance about the ongoing service to be provided.

Ms Morrison took members through the background relating to the possibility of a shared Audit service with Blackpool Council and the factors which brought the officers to the conclusion that it would not be a viable proposition from a financial perspective.

Savile Sykes, Chief Internal Auditor, was confident that he and his team would continue to provide a good service.

It was RESOLVED to note the outcome of the negotiations with Blackpool Council for a shared internal audit service and to endorse the proposals for the ongoing in-house service.

#### 9. Regulation of Investigatory Powers Act 2000: Authorisations

Tracy Morrison, Director of Resources, presented a report on the above. She explained that councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly.

Ms Morrison referred to the table in paragraph 6 on page 165. She drew the committee's attention to date on the second row which should be amended to read 'July - Sept 2012'. With reference to March - June quarter, she emphasised that the three surveillance authorisations were relating to the same operation. There were no authorisations in July to September quarter.

It was RESOLVED to note the information in the report.

#### 10. Corporate Governance Improvement Plan

Tracy Morrison, Director of Resources, presented a report regarding the Corporate Governance Improvement Plan 2012/13. She reminded the committee that the Audit Committee was charged with adopting the Annual Governance Statement and monitoring the progress in fulfilling the Corporate Governance Improvement Plan. At the last meeting of the Committee in June the Annual Corporate Governance Statement had been approved and the Action Plan was presented to the committee as a result. The ten significant issues that had been identified from the June Statement with actions to strengthen the issues were attached to the report together with an agreed improvement plan. She advised that some actions had been completed, some were outstanding or were in progress.

Councillor Linda Nulty referred to equalities training and that there was no reference to Councillors being trained. Ms Morrison informed members that due to new legislation on the issue, training for officers had been delayed. She suggested to the committee that if it was the wish of the committee, equality training for members could be added to Members programme of training through the Member Development Steering Group and Learning Hours.

It was RESOLVED to approve the Corporate Governance Improvement Plan and an update on achievement of actions be presented to the January Audit committee meeting.

#### 11. Sandwinning Operations

Gary Sams, Principal Estates Surveyor, presented a report regarding sandwinning operations. He reminded the committee that at its meeting on 22 September 2011 the Committee was presented with a report updating members on matters associated with the sandwinning operation. The Committee resolved to request that the possible removal of sand without payment to the Council is investigated, and the results reported back to the Committee in January.

At its meeting in January, the Committee was presented with a report informing it that vehicles filled with sand seen leaving the beach at Squires Gate were most likely from Greenwood's Transport which had a contract to remove sand from the Blackpool Light Craft Club. The committee resolved that:

- "1) The Committee notes the outcome of the investigation which is that there is no evidence that sand is being removed without payment to the Council.
- 2) The issue referred to in 1) above be monitored and that an update report be submitted to the September meeting of this Committee."

The purpose of the report was to address the second resolution and to inform the Committee that further monitoring had taken place and that there remained no evidence that sand was being removed without payment to the Council. He advised the committee that he had been to the site and had monitored and checked 20 vehicles and all had been weighed and ticketed.

After further debate it was RESOLVED to note the result of the investigation which is that there is no evidence that sand is being removed without payment to the Council.

## 12. Risk Action Plan 1 - Accommodation

Paul Walker, Director of Development Services, presented a report which summarised progress to date on the risk actions contained in Risk Action Plan 1 - Accommodation, as requested by the Audit Committee at its meeting on 21 June 2012.

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

Mr Walker emphasised that of the eight risk actions that should have been completed, three had been completed. Those that were completed were set out in paragraph 2.1 of the report and the outstanding items with completion dates were listed in the table in that paragraph. He referred to the sale of the three sites as reported in the table and advised members that delays in completion of the sale had arisen due to issues between the buyer and the Council. He informed the committee that the Accommodation Project working group monitored the situation with regard to the matters listed in the table on a regular basis.

It was RESOLVED that the report of the progress made on Risk Action Plans 1 - Accommodation be noted.

## 13. High/Medium Priority Actions 2011 - 12 (Update)

Savile Sykes, Chief Internal Auditor, presented a report which updated the committee on the high/medium priority actions implemented in 2011-12. At its meeting in June 2012, the Committee considered the Internal Audit Annual Report for 2011-12 in which it was reported that the percentage of high/medium priority actions implemented was 84% compared to the previous year's 93%. The Committee supported the Chairman's suggestion for him to meet with responsible managers for audit reviews where the implementation of agreed 'high/medium' priority actions was below the committee's target.

Mr Sykes referred to the table in paragraph 3 of the report, which contained details of seven reviews where the implementation rate was below the Committee's target of 95%. He reported that following meetings with the responsible managers progress had been made and table two in paragraph five reflected the current position. Nine further recommendations had been actioned and two of the reviews had been implemented in full. The overall implementation rate of high/medium agreed actions had increased from 84 per cent to 92 per cent, which was only slightly below last year's figure.

The overall implementation rate for low, medium and high agreed actions was at 91 per cent which was 1 per cent higher than the Committee's target for this category.

Mr Sykes advised that additional evidence had recently been received with regard to the trade waste audit, which would take the implementation rate for that review to 100 per cent and that further implementations had been promised for the development control, asset management and Mayoral Charity reviews, which would take the implementation rate to 100 per cent for those reviews as well.

It was RESOLVED to notes the revised position with regard to the 'high/medium' priority actions implemented by management arising from internal audit work in 2011-12.

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