



FYLDE BOROUGH COUNCIL



Meeting Agenda

Audit Committee
Town Hall, Lytham St Annes
29 June 2007, 2:30 pm

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor Keith Hyde
VICE-CHAIRMAN – Councillor John Singleton

Councillors

John Coombes	Simon Renwick
Paul Rigby	Kathleen Harper
Paul Hayhurst	Elizabeth Oades
Louis Rigby	

Contact: Tracy Scholes, St. Annes (01253) 658521, Email:
tracys@fylde.gov.uk



CORPORATE OBJECTIVES

The Council's investment and activities are focused on achieving our five key objectives which aim to :

- Conserve, protect and enhance the quality of the Fylde natural and built environment
- Work with partners to help maintain safe communities in which individuals and businesses can thrive
- Stimulate strong economic prosperity and regeneration within a diverse and vibrant economic environment
- Improve access to good quality local housing and promote the health and wellbeing and equality of opportunity of all people in the Borough
- Ensure we are an efficient and effective council.

CORE VALUES

In striving to achieve these objectives we have adopted a number of key values which underpin everything we do :

- Provide equal access to services whether you live in town, village or countryside,
- Provide effective leadership for the community,
- Value our staff and create a 'can do' culture,
- Work effectively through partnerships,
- Strive to achieve 'more with less'.



A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
1. DECLARATIONS OF INTEREST: <i>In accordance with the Council's Code of Conduct, members are 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.</i>	4
2. CONFIRMATION OF MINUTES: <i>To confirm as a correct record the minutes of the Audit Committee held on 29 March 2007. As attached at the end of the agenda.</i>	4
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REPORT



REPORT OF	MEETING	DATE	ITEM NO
DEMOCRATIC SERVICES AND MEMBER SUPPORT BUSINESS UNIT	AUDIT COMMITTEE	29 JUNE 2007	4

AUDIT AND INSPECTION PLAN – 2007/08

Public Item

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

Summary

The draft Audit and Inspection Plan for 2007/08 is attached which has been developed by the Council's Relationship Manager and the Appointed Auditor, KPMG LLP ("KPMG"). It sets out the audit work that is proposed to be undertaken in the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA).

Recommendation

That the Audit Committee notes the content of the Audit and Inspection Plan for 2007/08

Cabinet Portfolio

The item falls within the following Cabinet portfolio:
Finance and Efficiency Councillor Paul Rigby

Report

Attached to the report is the draft Audit and Inspection Plan which reflects:

- audit work specified by the Audit Commission for 2007/08;
- current national risks relevant to local circumstances; and
- local risks and improvement priorities.

Richard Foster, KPMG's Audit Manager will be in attendance at the Committee to introduce the report.

IMPLICATIONS	
Finance	The audit fees are built into the Council's budgetary process
Legal	
Community Safety	
Human Rights and Equalities	
Sustainability	
Health & Safety and Risk Management	

Report Author	Tel	Date	Doc ID
Tracy Scholes	(01253) 658521	19 June 2007	

List of Background Papers		
Name of document	Date	Where available for inspection
Draft Audit and Inspection Plan		Council office or website address

Attached documents

1. Draft Audit and Inspection Plan

Audit and Inspection Plan

Date

Last saved: 18/06/2007 15:06:00

Audit and Inspection Plan

Fylde Borough Council

Audit 2007/08

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author

Author

Filename

Fylde BC Draft AAIP 2007-08 v3

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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Introduction

- 1 This plan has been developed by the Relationship Manager and the Appointed Auditor, KPMG LLP ("KPMG"). It sets out the audit work that we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
 - audit work specified by the Audit Commission for 2007/08;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As the Audit Commission have not yet completed the audit for 2006/07, the audit planning process for 2007/08, including the risk assessment will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 4 We comply with the statutory requirements governing our audit work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the statement on internal control (SIC)); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of responsibilities of auditors and of audited bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

Work under the Code of Audit Practice

Financial statements

- 8 KPMG will carry out its audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 9 KPMG is required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 10 KPMG is also required to review whether the Statement on Internal Control (SIC) has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if it is misleading or inconsistent with its' knowledge of the Council.

Use of resources

Value for money conclusion

- 11 The Code requires KPMG to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 12 In meeting this responsibility, KPMG will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, KPMG will normally seek to place reliance on their reported results to inform its' work.
- 13 KPMG will also follow up work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 14 The Audit Commission has specified that outgoing auditors will complete a use of resources assessment for 2007/08. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 15 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor's value for money conclusion.

- 16 The Audit Commission will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Theme	Description
Financial reporting	<ul style="list-style-type: none"> • preparation of financial statements • external reporting
Financial management	<ul style="list-style-type: none"> • medium-term financial strategy • budget monitoring • asset management
Financial standing	<ul style="list-style-type: none"> • managing spending within available resources
Internal control	<ul style="list-style-type: none"> • risk management • system of internal control • probity and propriety
Value for money	<ul style="list-style-type: none"> • achieving value for money • managing and improving value for money

- 17 The Audit Commission will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its management of these themes.
- 18 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CPA.

Data quality

- 19 The Audit Commission has specified that outgoing auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
- Stage 1 - management arrangements;
 - Stage 2 - completeness check; and
 - Stage 3 - risk-based data quality spot checks of a sample of performance indicators.
- 20 The work at stage 1 will link to the Audit Commission's review of the Council's arrangements to secure data quality as required for the value for money conclusion. In addition, together with the results of stage 2, this will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.

- 21 The Commission's fee estimate assumes that there is a medium risk in relation to the Council's performance indicators. This risk assessment may change depending on the assessment of your overall management arrangements at stage 1 and the plan will be updated accordingly, including any impact on the fee.

Best Value Performance Plan

- 22 KPMG is required to carry out an audit of your best value performance plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance.

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Assessing risks

- 23 KPMG is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning the audit work to address areas of risk relevant to its audit responsibilities and reflecting this in the audit fees. It also means making sure that its' work is co-ordinated with the work of other regulators, and that it helps you to improve.
- 24 The risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- KPMG's knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.
- 25 At the time of writing this plan, the Audit Commission has not completed its audit of the Council's 2006/07 accounts. The findings of this audit will be a key factor in planning for 2007/08.
- 26 However, as a minimum, KPMG will need to consider the Authority's approach to the changes in the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 (SORP)*. The consultation on the new SORP closed on 14 February 2007 and, whilst KPMG is still awaiting the final version of the document, likely changes include:
- the requirement to establish a UK GAAP-compliant revaluation reserve, with a particular challenge being the need to calculate the opening balance from historic information; and
 - changes in the accounting arrangements for financial instruments, including the introduction of the accounting standards FRS25 and FRS26.
- 27 KPMG has also considered local risks which impact on the audit of the Council's accounts and considers that the key risk relates to the planned implementation of a new accounts receivable system during 2007/08. The key risks will be around data transfer and ensuring adequate financial controls are in place.
- 28 For each of the significant risks identified in relation to KPMG's use of resources work, it considers the arrangements put in place by the Council to mitigate the risk, and plans its work accordingly.
- 29 KPMG's initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through the continuous planning process as the year progresses.

Work specified by the Audit Commission

Whole of government accounts (WGA)

- 30 KPMG will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk. The approach varies according to the complexity of the consolidation.

National Fraud Initiative (NFI)

- 31 The Council participates in the NFI which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. Results of the data matching exercise carried out by the Commission are now web based and have already been made available to authorities. KPMG will consider how the Council responds and follows up the NFI results.

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Voluntary improvement work

- 32 We have not identified any voluntary improvement work at this stage but should we identify anything which we believe will be of use to you we will discuss this with you and report any findings to the Audit Committee.

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Certification of grant claims and returns

- 33** The thresholds for certification of claims and returns have increased from 1 April 2007, and KPMG will certify the Council's claims and returns on the following basis:
- claims below £100,000 will not be subject to certification;
 - claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
 - claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.
- 34** The above change will have an impact on the level of audit fees payable for the certification of grant claims in 2007/08. Once the Audit Commission has completed the certification process in 2006/07, it will provide the Council with a clearer indication of the expected fee for 2007/08.

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The audit fee

- 35** The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 36** The total indicative fee for audit work included in this audit plan for 2007/08 is £108,170 which compares with the fee of £101,032 for 2006/07.
- 37** Further details are provided in Appendix 2 which includes a breakdown of the fee; specific audit risk factors; the assumptions made when determining the audit fee, (for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers); specific actions Fylde Borough Council could take to reduce its audit fees; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 38** In addition KPMG estimates that there will be a charge of approximately £30,000 for the certification of claims and returns.
- 39** As indicated in paragraphs 2 and 32, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 36 above. Any changes to the fee will be agreed with you.

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Other information

The audit and inspection team

- 40 The key members of the audit team for the 2007/08 audit are shown in the table below.

Table 1

Name	Contact details	Responsibilities
Mike Thomas Relationship Manager	m-thomas@audit-commission.gov.uk 01204 877300	The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Trevor Rees Engagement Partner (KPMG)	trevor.rees@kpmg.co.uk 0161 246 4063	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Audit Committee.
Richard Foster Manager (KPMG)	richard.foster@kpmg.co.uk 0113 231 3822	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Executive Manager for Finance.
Rick Lee Assistant Manager (KPMG)	richard.lee@kpmg.co.uk 0161 246 4438	Responsible for the day-to-day management of the accounts audit, data quality and the financial aspects of the use of resources work. Key point of contact for the Senior Financial Services Manager.

Independence and objectivity

- 41 KPMG is not aware of any relationships that may affect the independence and objectivity of the appointed auditor and the audit staff, which it is required by auditing and ethical standards to communicate to you.

- 42 KPMG complies with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

Quality of service

- 43 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 the Relationship Manager or Engagement Partner in the first instance. For complaints concerning the external audit you may wish to contact Trevor Rees, who is KPMG's Contact Partner.
- 44 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 or on request.

Planned outputs

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

Table 2

Planned output	Indicative date
Annual audit and inspection plans 2007/08	May 2007
Report to those charged with governance (2006/07) including data quality (2007/08)	September 2007
Opinion on the financial statements and value for money conclusion (2006/07)	September 2007
BVPP opinion	December 2007
Annual audit and inspection letter 2006/07	March 2008
Report to those charged with governance 2007/08	September 2008
Opinion on the financial statements and value for money conclusion (2007/08)	September 2008
Annual external audit report 2007/08	December 2008
Annual audit and inspection letter 2007/08	March 2009

Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Health Inequalities		Yes	A cross cutting piece of work will be undertaken across Lancashire by the Audit Commission	UoR 2.1 Financial Management and 5.1 securing VFM

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Appendix 2 – Audit and inspection fee

- 1 Table 4 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the actual fee for 2006/07.

Table 3

Audit area	Planned fee 2007/08 £	Actual fee 2006/07 £
Audit		
Audit and Accounts	69,500	*
Use of resources (including BVPP)	21,800	*
Data quality	12,870	*
Whole of government accounts	3,000	*
National Fraud Initiative	1,000	*
Total audit fee	108,170	101,032
Inspection see separate report	6,475	4,096
Total audit and inspection fee	114,645	105,128
Certification of claims and returns	30,000	29,000

* Comparative information is not available for 2006/07 due to the changed fee structure.

- 2 The Audit Commission scale fee for Fylde Borough Council is £91,940 excluding WGA and NFI costs. The audit fee proposed for 2007/08 is + 13 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.
- 3 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 4 It is a matter for the auditor to determine the work necessary to complete the audit and to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable. Any variation above or below 30 per cent would require Audit Commission approval.
- 5 The audit fee (plus VAT) will be charged in four equal quarterly instalments from June 2007.

Specific audit risk factors

- 6 In setting the audit fee KPMG has taken into account the following specific risk factors:
 - Use of Resources risk factors identified in Appendix 1;
 - changes following the implementation of new SORP requirements; and
 - implementation of a new accounts receivable system.

Assumptions

- 7 In setting the fee, KPMG has assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2006/07;
 - 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;
 - good quality working papers and records will be provided to support the financial statements by the start date of the audit;
 - 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.
- 8 Where these assumptions are not met, KPMG will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when the Audit Commission issue the opinion on the 2006/07 accounts.
- 9 Changes to the plan will be agreed with you. These may be required if:
 - new residual audit risks emerge;

- additional work is required of KPMG by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Specific actions the Council could take to reduce its audit fees

- 10 The Audit Commission requires its auditors to inform councils of specific actions they can take to reduce audit fees. KPMG has identified the following actions Fylde Borough Council could take:
- build on the strengths identified from the Use of Resources assessment and further develop action plans to focus on those areas required to be in place to achieve the next level; and
 - address issues highlighted in the Direction of Travel report.

Process for agreeing any changes in audit fees

- 11 If KPMG needs to make any significant amendments to the audit fee during the course of this plan, it will firstly discuss this with the Executive Finance Manager. It will then prepare a report outlining the reasons why the fee needs to change for discussion with the Council's Audit Committee.

Appendix 3 – Independence and objectivity and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:
- appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee;
 - auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
 - the appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
 - the appointed auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
 - the appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

REPORT

REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	29 TH JUNE 2007	5

ANNUAL AUDIT & INSPECTION LETTER / USE OF RESOURCES – ACTION PLANS

Public Item

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

Summary

The report presents a proposed Action Plan in response to the 2007 Annual Audit and Inspection Letter.

Recommendations

1. That the Action Plan(s) attached as appendices to the report be approved.
2. That the Committee reviews progress against the intended actions at quarterly intervals.

Report

Annual Audit and Inspection Letter – Action Plan

1. At the last meeting of the Audit Committee in March the external auditors presented their Annual Audit and Inspection Letter for 2006.
2. The final version of the report had been received only a few days before the meeting and there had been insufficient time for officers to provide a response to the Letter, although a draft action plan had been presented to Members of the Committee at the meeting.
3. This Action Plan has now been finalised and is presented at Appendix A for Members' consideration.

Use of Resources

4. One of the key elements of external audit and inspection is an assessment of the Council's use of resources. This receives a separate rating from the external auditors based on an assessment of five themes -
 - Financial reporting

- Financial management
- Financial standing
- Internal control
- Use of resources

5. The audit work undertaken as part of the Use of Resources assessment is wide ranging and cross cutting and it is felt necessary to develop the Council's response to this in the form of a specific action plan.
6. A second Action Plan is therefore attached at Appendix B of the report which outlines the Council's proposed responses to the auditor judgements on the use of resources.

IMPLICATIONS	
Finance	
Legal	
Community Safety	
Human Rights and Equalities	
Sustainability	
Health & Safety and Risk Management	

REPORT AUTHOR	TEL	DATE	DOC ID
Phillip Woodward	(01253) 658500	Date of report	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Annual Audit & Inspection Letter	March 2007	Town Hall or www.fylde.gov.uk

Attached documents

1. Appendix A - Annual Audit & Inspection Letter Action Plan 2007
2. Appendix B - Use of Resources Action Plan 2007

ANNUAL AUDIT & INSPECTION LETTER 2007 - ACTION PLAN

REF.	RECOMMENDATION	PROPOSED ACTIONS
1	Ensure robust business cases are routinely prepared to support procurement and joint delivery decisions.	Training on the Project Planning Framework will be provided to all management and supervisory staff during 2007/08.
		Completion Date – Nov. 07
		Lead Officer - DAJ
2	Enhance the use of benchmarking throughout the Council to ensure all service performance is challenged.	Revise the Council's performance management framework in April 2007 to a web-based application (Escendency). Investigate current opportunities for concurrent benchmark data across all BVPI's and report to O & S Committee.
		Completion Date - Aug. 07
		Lead Officer - AO
3	Monitor and address the underlying reasons for the contact centre abandoned calls.	Undertake in-depth review of call centre operations and implement a Response Plan.
		Completion Date - Sept. 07
		Lead Officer - PN
4	Address the recommendations made within the cross cutting piece of work Lancashire Children and Young People action plan.	The recommendations of this report, together with proposed responses, to be presented to Cabinet in May 2007.
		Completion Date - Jun 07
		Lead Officer - PWw
5	Review the final accounts closedown arrangements to ensure that the Council is not overly reliant on one key member of staff.	Provide additional staff resources for the 2006/07 accounts close down arrangements. At the Audit Committee in September we will report on – - a review of the success of the closedown arrangements, - the CIPFA '7 stage' evaluation of outside interests.
		Completion Date - Sept. 07
		Lead Officer - BW

ANNUAL AUDIT & INSPECTION LETTER 2007 - ACTION PLAN

REF.	RECOMMENDATION	PROPOSED ACTIONS
6	Take the necessary action to address the issues highlighted within the Audit Summary Report Action Plan.	Included in 5 above.
		Completion Date - Sept 07
		Lead Officer - BW
7	Build on the strengths identified from the Use of Resources assessment and develop an action plan to focus on those areas required to be in place to achieve the next level.	See separate Use of Resources Action Plan for 2007.
		Completion Date - Jun. 07
		Lead Officer - PWw

REPORT



REPORT OF	MEETING	DATE	ITEM NO
RISK MANAGEMENT OFFICER	AUDIT COMMITTEE	29 JUNE 2007	6

STRATEGIC RISK REGISTER

Public item

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

Summary

The report summarises the work undertaken by the Council's Insurance & Risk Management Officer in producing the Strategic Risk Register for 2007-2008, and the annual review of the Risk Management Strategy.

The report links principally to the Corporate Objective - "Deliver high quality services".

Recommendations

1. It is recommended that the Strategic Risk Register for 2007-2008 is considered and appropriate comments made.
2. It is recommended that the Risk Management Strategy (reviewed June 2007) is approved.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Corporate Performance & Development

Councillor Sue Fazackerley

Report

1 Introduction

1.1 In May 2003, a strategic risk management exercise was conducted for the Council by Zurich Municipal Management Services (ZMMS). The exercise was an opportunity to identify, analyse and prioritise risks that may affect the ability of the Council to achieve its corporate objectives. It also formed part of the Council's corporate governance requirement to manage its risks. This work was not designed to be a one off initiative but rather something that the Council could take forward in the long term as part of its risk management strategy, by embedding the process within the existing planning processes.

1.2 This risk management process has since 2004 been conducted internally by the Council's Insurance & Risk Management Officer and Head of Internal Audit working as a team to carry out the necessary identification and prioritisation stages of the process.

1.3 The Key Lines of Enquiry – Use of Resources inspection (KLOE) by the Audit Commission requires Member involvement in the identification of major business risks to the Council as well as Officers. In 2007, the leader, portfolio holder, member champion and Chairman of the Audit Committee were invited to partake in this exercise. Due to time constraints only the previous Chairman of the Audit Committee was able to participate this year.

1.4 KLOE – Use of resources also requires the Council to review the risk management strategy annually to update it where necessary. During the year an internal audit review of the Risk Management function at Fylde was undertaken. The service was judged to be satisfactory. As a result of the audit a number of recommendations were made to improve the current Risk Management Strategy. These recommendations have been taken into account in the review of the Strategy. The amendments to the strategy presented to you have been agreed with Internal Audit. As a result, an updated version of the Strategic Risk Management Strategy is attached to this report for member approval. (Appendix 1)

2 The Risk Management Process

2.1 As part of the work undertaken by ZMMS they trained officers to be able to facilitate “in-house” the ZMMS Risk Management Process. The process has 5 elements. Risk Identification, Risk Analysis, Risk Prioritisation, Risk Management and Risk Monitoring.

2.2 Risk Identification. This is achieved by interviewing key Members and Officers to identify strategic risks that may effect the Council's performance in achieving its objectives. The process looks at risks to the Council's priorities and includes risks in 13 key areas. These are Political, Economic, Social, Technological, Legislative/Regulatory, Environmental, Competitive, Customer/Citizen, Managerial/Professional, Financial, Legal, Partnership/Contractual and Physical. Risks must be triangulated to be carried forward in the process. Triangulation means that a risk must be identified by at least 2 officers or members.

2.3 Risk Analysis. All the triangulated risk from the identification process are grouped together into cluster areas, underlying risks are identified and risk scenarios are developed by the facilitators. The scenarios detail the vulnerability the Council might have, the trigger that could activate this vulnerability and the consequences should this happen.

2.4 Risk Prioritisation. The scenarios formed by the facilitators are presented to the Corporate Management Team (CMT) at a workshop session. The CMT members are asked to accept or reject the scenarios as risks to the Council. Each scenario accepted is plotted on a matrix that measures the likelihood of the risk occurring against the impact on the Council if it does. This process prioritises the risks in importance. When all the risks are plotted on the matrix the risk appetite is set. The risk appetite is the level of risk that officers believe the Council can take without the need to introduce measures above the normal level to control the risk.

2.5 Risk Management. For each of the risks plotted above the risk appetite line a Management Action Plan (MAP) is developed to identify what management actions need to be introduced to either reduce the likelihood of the risk or the impact of the risk. The MAP's are linked to the Corporate Objectives of the Council and a Risk Champion is identified to manage each individual action plan.

2.6 Risk Monitoring. All the MAP actions are input into a database to enable monitoring of progress throughout the year. An update report on the status of each action is reported to the Strategic Risk Management Group (SRMG) which meets on a 6 weekly cycle. Monitoring the Risk Management process is one of the standing agenda items for the SRMG.

3 Risk Register – 2006/2007

3.1 The risk register for 2007/2008 is attached (Appendix 2). The strategic risks are:

- Local Government Reform
- Organisational Development
- Accommodation
- Affordable Housing
- Local Employment
- Financial Issues

3.2 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.
Legal	The annual risk review forms a key part of the council's corporate governance arrangements.
Community Safety	
Human Rights and Equalities	
Sustainability	
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.

REPORT AUTHOR	TEL	DATE	DOC ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit Cttee June 07

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection



FYLDE BOROUGH COUNCIL



Risk Management Strategy

Draft June 2007

FOREWORD

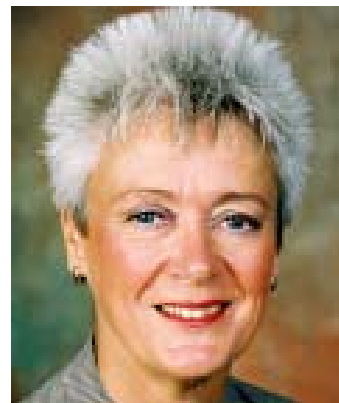
Welcome to the Council's Strategic & Operational Risk Management Strategy, revised in June 2007. The aim of the Strategy is to improve strategic & risk management throughout the Council. Effective risk management allows the Council to:

- 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, Sue Fazackerley
Risk Management
Cabinet
Portfolio Holder



Phillip Woodward
Chief Executive Officer
Fylde Borough Council



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Information Box

Title	Risk Management Strategy version 2.0 revised June 2007
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 Democratic Services & Member Support Unit Tel. No.: 01253 658412
Last revised	June 2007

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

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 Business Units

Risk Area	Service Area with Lead Responsibility
Health & Safety Risks	Democratic Services & Member Support (Client) Blackpool Occupational Health & Safety Team (Delivery)
Emergency Planning	Consumer Wellbeing & Protection
Business Continuity Planning	Democratic Services & Member Support
Project Risks	Procuring Business Unit
Business Risks	Democratic Services & Member Support

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.

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

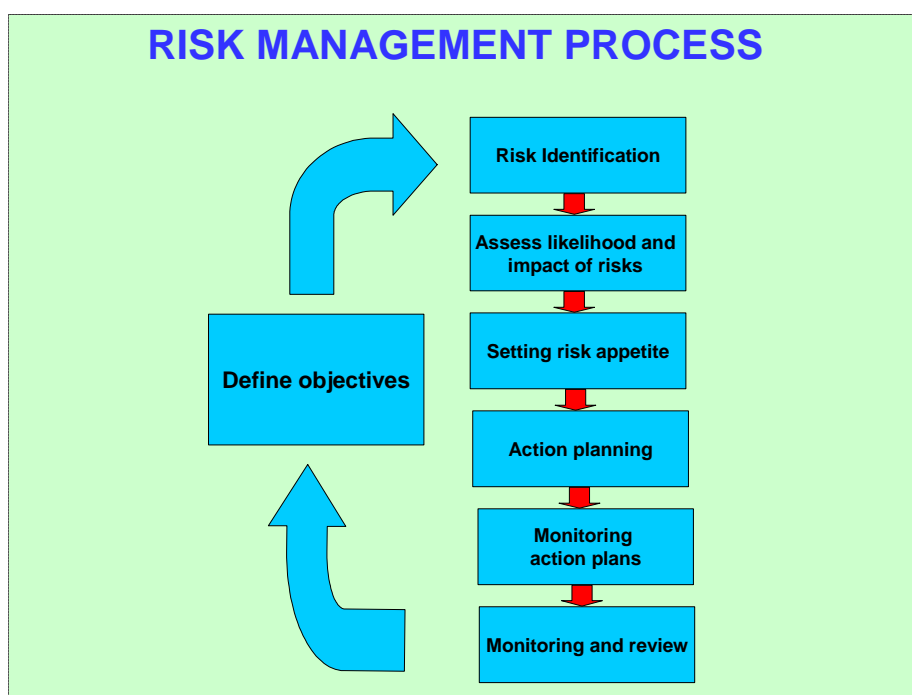
The size and scope of the project is likely to dictate the process best suited to managing the risks. However, all projects must undertake full risk assessments.

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 business unit service plans)

5. What is the Risk Management Process?

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



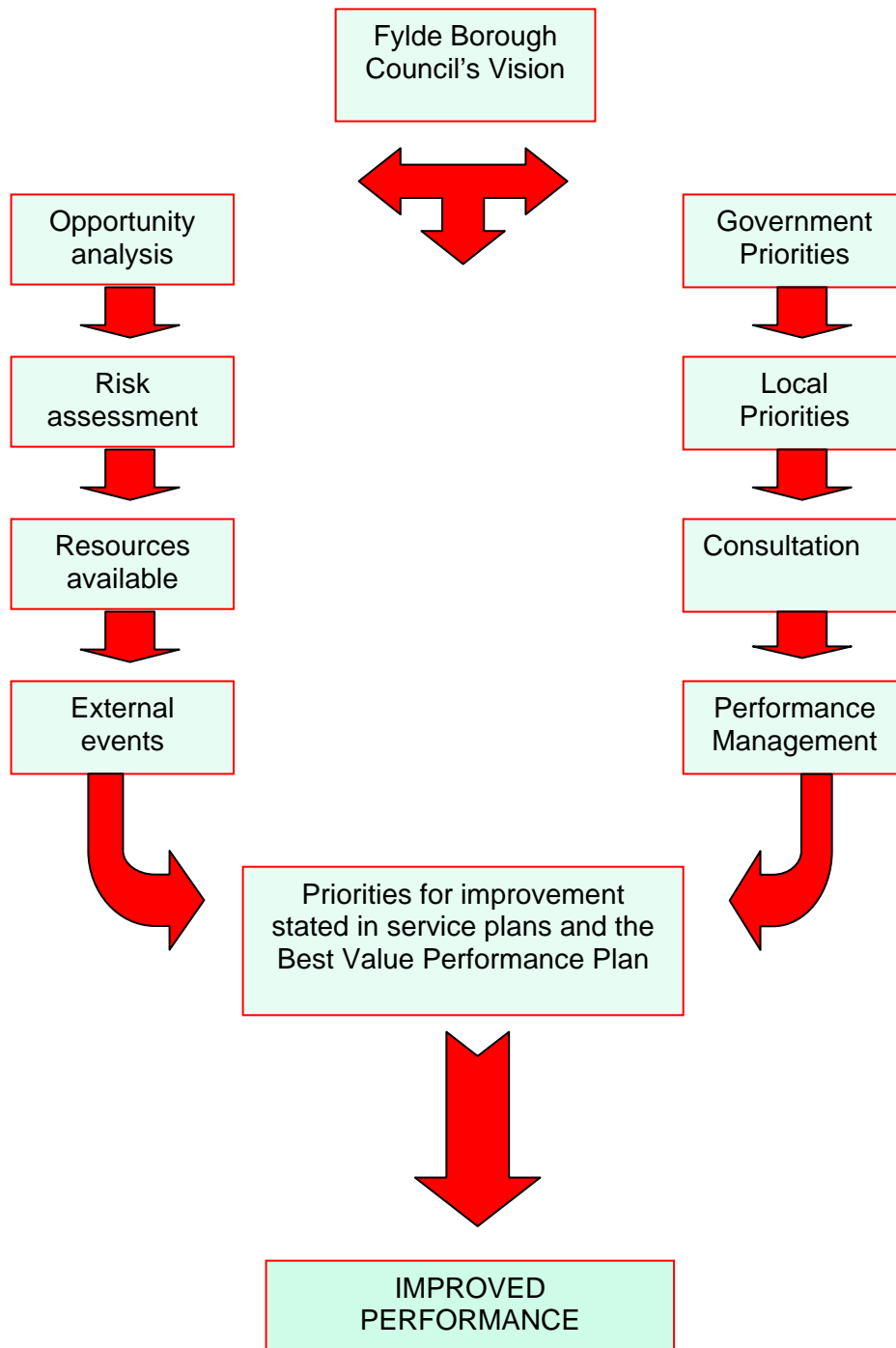
The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then 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 Nov / Dec each year with the Chief Executive, Deputy Chief Executive, Executive Managers, 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 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 business unit. Operational Risks Registers are set up in each business unit and they are monitored by the Unit 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 unit 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.



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, the Council's policy and decision making processes require all Executive Reports to include a risk assessment sign off.

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	End of June each year	Insurance & Risk Management Officer
Raise awareness of risk management as an effective management tool	ongoing	Insurance & Risk Management Officer
Business Unit service plans -assessment and prioritisation of risks	Feb/Mar each year	Unit Risk Teams
Annual report to Audit Committee on achievement of Risk Actions contained in the Risk Register	January 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 Cabinet	<ul style="list-style-type: none"> ➤ Overseeing effective risk management across the Council ➤ Agreeing Fylde Borough Council's Risk Management Strategy ➤ Ensuring that risk management is delivered by the Chief Executive on behalf of the Cabinet ➤ 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 ➤ Appointing a Member with responsibility for Risk management within the cabinet
Members	<ul style="list-style-type: none"> ➤ Scrutinising the Cabinet's decisions to ensure that they meet the requirements of effective risk management ➤ Facilitating a risk management culture across the Council
Chief Executive & Corporate Management Team	<ul style="list-style-type: none"> ➤ Leading risk management across the Council, with the Chief Executive 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 ➤ 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 with all corporate governance requirements, including the Annual Statement of Internal Control

Role	Responsibilities
Executive Managers	<p>Executive Managers will demonstrate their commitment to risk management through: -</p> <ul style="list-style-type: none"> ➤ Ensuring that risk management within their Business Unit is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management ➤ Appoint a risk champion who is authorised to progress effective risk management throughout their business unit that adheres to corporate guidelines ➤ Identifying and managing risks within their Business Unit 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 measures ➤ Attending the Strategic Risk Management Group
Risk Champions	<ul style="list-style-type: none"> ➤ Acting as the main contact for their Business Unit on risk matters, and ensuring that corporate information and requirements are communicated to the business unit ➤ Progressing across their Business Unit effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met ➤ Representing their Business Unit at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Executive Manager ➤ Provide the Operational Risk Management Group with reports on the status of their Units Risk Register and progress made on implementing the unit risk action plan. ➤ Providing support on risk management to Executive Managers and middle managers within their business unit. ➤ Promoting the benefits of risk management across the Business Unit ➤ Maintaining, on behalf of business units managers, a Unit Risk Register that complies with corporate guidelines

Role	Responsibilities
Middle Managers	<ul style="list-style-type: none"> ➤ Communicating to staff the corporate approach to risk management ➤ Identifying the risk management training needed by staff, and reporting this to the Unit Risk Champion ➤ Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required ➤
Staff	<ul style="list-style-type: none"> ➤ Understanding their accountability for individual risks ➤ Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls
Internal Audit	<ul style="list-style-type: none"> ➤ 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	<p>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:</p> <ul style="list-style-type: none"> ➤ 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 business units. ➤ Receive reports from the Risk Management Officer and Unit Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.

Role	Responsibilities
Risk Management Groups	<ul style="list-style-type: none"> ➤ 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 <p>The terms of reference for the risk management group is attached at appendix B</p>
Insurance, Risk Management & Business Continuity Officer	<ul style="list-style-type: none"> ➤ 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 Unit 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 measures 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, Executive Managers and staff of all business units must be fully supportive of the initiative.

It is the responsibility of every business unit to implement a sound Risk Management strategy. Management at business unit 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 business unit will be represented on the each Group. Each business unit will nominate a senior member of the unit to represent the unit on the group. Unit 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 business units.
- 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



Risk Register 2007-2008

April 2007

Local Government Reform Council Objective

The Council is involved with a range of initiatives surrounding the reform of local government.

Community & Quality Services

Champion – Phil Woodward

Likelihood	A				
	B			9	
	C				
	D				
	E				
	F				
		IV	III	II	I
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
9	B2	C3	Local Government Reform

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Fylde Coast Working – MAA ➤ Joint Cttee with Wyre ➤ Lancs Leadership Program ➤ Local Area Agreement ➤ Lancs Locals ➤ Lancs Enhanced 2 tier proposals ➤ NweG/NWCE/NWIN ➤ Joint Service provision with B'pool & Wyre ➤ Draft District/Parish Charter ➤ District/Parish liaison meetings ➤ Revision of constitution re community outlook ➤ CEx/Leaders meeting 			Review and prioritise resource allocation to current actions to ensure cost / capacity effectiveness	Chief Exec	Report to Mgmt Team & Cabinet	N/A	Sept 07
			Develop Multi Area Agreement Network with Blackpool / Wyre / LCC	Exec Manager (Policy & Performance)	Jointly authored proposals report to Cabinet	N/A	Jan 08
			Consultation with political leadership on future form of (joint) governance	Chief Exec	Proposals report to Cabinet / Council	N/A	Jan 08
			Communicate & publicise the Council's approach to L G reform (internally & externally)	Exec Manager (Community & Cultural Services)	Information published in Grapevine & local press	N/A	Jan 08
			Revise the Council's Constitution as & when necessary	Head of Legal Services	Report to Council	Annual	Aug 07
			Explore the need for Parish Council in Lytham	Exec Manager (Democratic & Member Services)	Proposals report to Council	N/A	Jan 08

Organisational Development - PLC The Council is to set up a trading company and the Management Structure needs to reflect this development

Council Objective Quality Services

Champion – David Jenkinson

Likelihood	A				
	B			10	
	C				
	D				
	E				
	F				
		IV	III	II	I
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
10	B2	C3	Organisational Development

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Authority to establish company ➤ Reorganised MT responsibilities ➤ Investment in Joint service operations ➤ Joint streetscene project board ➤ Procurement tender process on certain areas ➤ Lancashire Leadership / Middle Managers training ➤ Procurement Strategy ➤ Financial Regulations ➤ Contract Procedure Rules 		1	Register Company	DJ & IC	Completed	N/A	N/A
		2	Obtain the Domain Name	DJ & IC	Completed	N/A	N/A
		3	Upgraded Business Case approved	DJ & IC	Completed agreed by MT May 07	N/A	N/A
		4	Revision of constitution – Directors of the Company	DJ & IC	Articles of Association & Memorandum completed. Initial Directors completed	N/A	N/A

		Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
		5	Communication with Staff – opportunities etc	DJ & MT	Trading Powers required before communication	N/A	N/A
		6	External legal & financial advice	DJ & IC	Initial company set up advice completed. Awaiting trading powers for next stage	N/A	N/A
		7	Training & Development – Business Case Development etc	DJ	Completed agreed by MT May 07. DJ to provide one to one training for any new PLC activity Business Case	N/A	N/A

Accommodation Council Objective

The current accommodation is dirty and unfit for purpose. The provision of new accommodation has stalled for several years and the cost is not yet known

Quality Services

Champion – Paul Walker

Likelihood	A				
	B			12	
	C				
	D				
	E				
	F				
		IV	III	II	I
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
12	B2	C3	Accommodation

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Approved project preference ➤ Establishing current asset values ➤ Asset Management Champion ➤ Appointed project managers ➤ Member asset working group ➤ Appointed o/s Valuer ➤ Working up feasibility of preferred option ➤ Gateway review scheduled ➤ Leased Wesham Office ➤ Analysing space needs ➤ Staff/Member consultation 			Review cleaning contract and take the service in-house.	PLW/SAK	Service reviewed and improved cleaning standards in place.	Monthly	June 07
			Member working group consider valuations and corporate priorities prior to disposal	PLW	Members provide clear thoughts on asset reviews	Monthly	July 07
			Working group conclusions to go to Scrutiny Committee	PLW	Scrutiny Committee makes recommendations	Monthly	Special Scrutiny Cttee Aug 07
			Report to cabinet/portfolio holder	PLW	Cabinet/Portfolio Holder makes the decision.	Monthly	Sept 07

		Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
			Complete & consider space analysis	PLW	Analysis undertaken and incorporated in the revised plans.	Monthly	July 07
			Prepare for and participate in Gateway 2	PLW	Review undertaken with no 'Red' actions	Monthly	Aug 07
			Keep staff/members informed at each stage	PLW	Communication plan reviewed and agreed	Monthly	July 07

Affordable Housing

There is a lack of affordable housing in the borough i.e. social rented housing and intermediate housing (e.g. shared equity, discounted sale). This results in reliance on the private rented sector to meet the demand.

Council Objective

Quality of Life

Champion – Clare Platt

Likelihood	A				
	B			14	
	C				
	D				
	E				
	F				
		IV	III	II	I
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
14	B2	C3	Maximising availability and utilisation of affordable housing
			to deliver targets identified in housing strategy action plan.

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Implement Housing Strategy action plan ➤ Registered Social Landlord partnership meetings ➤ Fylde Coast Housing Strategy ➤ LAA Housing Group ➤ Utilisation of s. 106 Agreements/Commuted Sums ➤ Local Plan ➤ Lancashire Strategic Housing Forum ➤ Clifton Lytham HA ➤ Increased links with English Partnership/Regional Housing Board/Housing Corporation 			Members adopt interim planning policy for housing (prior to adoption of core strategy)	Tony Donnelly	Interim policy adopted to reduce percentage requirement for affordable housing and increase housing development (core Strategy developed as substantive policy)	None	Interim Policy: Draft Policy Aug 07 Consultation Sept 07 Amendments to draft Oct 07 Adoption Jan 08 (core Strategy: Commencement Jul 07 Draft to Sec of State Jul 09 Adoption Jul 10
			Commission house condition & housing market assessment	Clare Platt Tony Donnelly	Housing condition survey (HCS) and housing market (HAM) commissioned and delivered	3 years	Work commissioned Sept 07

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Investment in Private Sector Housing renewal ➤ Members Task & Finish Group on discretionary HMO licensing ➤ Commissioned a refresh of the housing needs assessment 			Housing interventions manager post filled	Clare Platt	Post filled	None	Review pay & conditions & advertise Jun 07 Recruitment Jul 07 In post Sep 07
			Utilise FBC assets to deliver affordable housing	John Cottam Paul Walker	FBC assets utilised to maximise other funding opportunities & deliver housing strategies	6 month	Report considered by Asset Management Group by Sept 07. Affordable Housing needs considered as part of asset disposal. Jan 08
			Increased availability of emergency & interim accommodation (to end bed & breakfast use by 2010)	John Cottam	Up to 20 flexible use units provided	6 month	Consider FBC asset utilisation and external funding opportunities Nov 07
			Develop pipeline schemes with partners for submission to Housing Corporation bidding round	David Gillett	Maximum number of schemes submitted & accepted for funding support from Housing Corporation, utilising commuted sums most effectively	6 month	Draft bids developed Sept 07 Bids submitted Nov 07
			Update housing / homelessness strategy action plans	Lucy Edwards	Action plans updated	3 years	Further consultation Nov 07 Action plans updated Jan 08
			Improve partnership working with housing benefit team	David Gillett Lance Postings Rent Officer	Housing benefit utilisation maximised	6 month	Investigate possibility of increasing housing benefit levels in private rented sector Nov 07
			Improve Member buy-in to affordable housing	David Gillett	New member induction & training Ongoing member awareness	1 year	Member induction and Awareness sessions Mar 08

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
			Include discretionary HMO licensing costs in the central ward LSP bid	Dave Joy	Costs included in bid	None	Completed Mar 07
			Business Case for Council to be involved in HMO Management	John Cottam	Business Case considered by ?	6 month	Commission project Jul 07 Delivered Dec 07??

Local Employment Council Objective

The Fylde local economy is reliant on a few large local employers

Economy

Champion – Paul Walker

Likelihood	A				
	B			16	
	C				
	D				
	E				
	F				
		IV	III	II	I
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
16	B2	C3	Local Employment

Action/controls already in place	Adequacy of action/ control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Classic Resorts ➤ Lancashire Economic Partnership/RES ➤ Lancashire & Blackpool Tourist Board membership ➤ Kirkham market town initiative ➤ Ribble estuary regional park ➤ St Annes Sq/Wood St redevelopment ➤ CARS/HERS ➤ Working with B'pool Airport ➤ Development & promoting the 	There is a range of issues and initiatives currently underway. Much of this requires strategic coordination and investment priority.		Prepare draft economic development strategy	PLW	Draft strategy produced and consulted upon.	Monthly	Aug 07
			Approve economic development strategy	PLW	Considered by relevant Scrutiny Cttee Strategy approved by Cabinet	Monthly	Nov 07 Jan 08

Action/controls already in place	Adequacy of action/ control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
tourist product ➤ Fylde Coast working ➤ HLF – Ashton Gardens ➤ Procurement Strategy –SME (On line procurement activity) ➤ Consultation – Heyhouses/Warton/Land Registry ➤ Supporting Blackpool's casino appeal bid ➤ FBC – Major employer ➤ Grimley Land & Employment study							

Financial Issues

The Councils budget problems remain problematic & a new financial system has recently been installed

Council Objective

Quality Services

Champion – Brian White

Likelihood	A				
	B			18	
	C				
	D				
	E				
	F				
		IV	III	II	I
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
17-18	B2	C3	Financial Issues

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Efficiency agenda ➤ Balanced budget 2007/08 ➤ Accountancy service fully staffed ➤ New FMS purchased ➤ Medium term financial strategy/projection ➤ Sponsorship working group ➤ Review of income-generating charges ➤ Feasibility study – differential rating ➤ Review of assets ➤ Revs/Bens business plan 			Monthly financial management accounts	David Bennett	Production of monthly reports to budget managers		July 07
			Full implementation of FMS including training for relevant users	David Bennett	Trained Users Tailored Reports	Ongoing	Dec 07
			Parish liaison on grounds maintenance	Brian White	Adequate resources to update models. Decision on implementation of differential rating		Jan 08

Action/controls already in place	Adequacy of action/control to address risk	Action No	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
<ul style="list-style-type: none"> ➤ Trading Company ➤ Leased Wesham Offices ➤ Accommodation review ➤ Streamlined MT ➤ Recharge election costs of parishes ➤ Tendering - i.e. GM 			Establish Joint Board with member involvement from Fylde and Blackpool and produce business plans for revs & bens merger.	Brian White	Joint board established and has met and will oversee business plan.		Sept 07

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	29/06/07	7

INTERNAL AUDIT ANNUAL REPORT 2006-07

Public Item

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

Summary

Report to follow.

Recommendation

1.

Cabinet Portfolio

The item falls within the following cabinet portfolios:

Finance & Efficiency

Councillor Paul Rigby

Corporate Performance & Development

Councillor Sue Fazackerley

IMPLICATIONS	
Finance	
Legal	
Community Safety	
Human Rights and Equalities	
Sustainability	
Health & Safety and Risk Management	

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
Audit Plan 2006-07	March 2006	Internal Audit Office by arrangement
Audit reports & documents	Various	

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	29/06/07	8

EMPLOYEE SURVEY - TACKLING FOUL PLAY

Public Item

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

Summary

Internal audit has recently completed an employee survey - 'Tackling Foul Play' - based on an Audit Commission template. The purpose of the survey was to assess employees' awareness and perceptions of the effectiveness of the Council's anti-fraud arrangements. This report presents the findings from the survey

The report links principally with the Corporate Priority – "To deliver ... high quality local services".

Recommendations

1. That the committee considers the survey report and makes any necessary and appropriate recommendations to ensure the Council's anti-fraud arrangements remain high profile with employees and continue to retain their confidence.
2. That the committee recognises that the Council's anti-fraud culture is robust and endorses the overall findings.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Corporate Performance and Development

Councillor Sue Fazackerley

Report

1. The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. In particular the Council has:
 - ♦ arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption
 - ♦ a whistleblowing policy which has been communicated to staff
2. The Council's strong counter fraud culture is supported and promoted by members and senior officers and as part of the authority's proactive approach to fraud and corruption, an employee survey was conducted by Internal Audit during February and March 2007.
3. The purpose of the survey was to test perceptions of the effectiveness of the Council's overall arrangements for preventing and detecting fraud and corruption both across the organisation as a whole and within individual business units.
4. It concludes that employee awareness of the arrangements to combat fraud and corruption is good and that confidence in their effectiveness is high. In general, these levels are significantly above the national average.
5. The report summarising the results is attached as an Appendix, together with the full survey questionnaire.

IMPLICATIONS	
Finance	The annual Use of Resources assessment evaluates how well councils manage and use their financial resources. The internal control element requires that effective arrangements are in place to secure probity in the conduct of business.
Legal	None
Community Safety	None
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	None

REPORT AUTHOR	TEL	DATE	DOC ID
Savile Sykes	(01253) 658413	May 14, 2007	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Basic Results Table	Undated	Internal Audit Office by arrangement

Attached documents

1. Tackling Foul Play – Final Summary Report
2. Control Self Assessment Questionnaire

Introduction

This report summarises the results of the recently completed tackling foul play survey 2006/2007. Our findings and comments are based on the completed surveys from staff and the analysis of those responses.

Objectives & scope

The objectives of the fraud awareness survey are to:

- determine employees' perceptions of the effectiveness of the Council's overall arrangements for preventing and detecting fraud and corruption;
- assess the impact of initiatives already introduced by the Council to promote an anti-fraud culture; and
- increase awareness of fraud and corruption risks and identify areas for improvement.

The scope of the survey focused on the following areas:

- Anti-Fraud culture
- Internal regulations
- Staff and member conduct
- Personnel issues
- Experiences of fraud
- Reporting fraud

Audit approach

Internal audit ran a web-based survey across the Council during February & March 2007. This was available to all staff either electronically or in hard copy. A total of 66 individuals responded. This data was recorded in such a way to allow responses to be identified by business unit and pay scale.

Business unit split

Which business unit do you work in?	
Community & Cultural Services	19.7%
Consumer Wellbeing & Protection	9.1%
Corporate Policy & Performance	7.6%
Democratic & Member Services	7.6%
Finance	30.3%
Legal Services	3.0%
Strategic Planning & Development	10.6%
Streetscene Services	9.1%
Executive Team	3.0%

Pay grade split

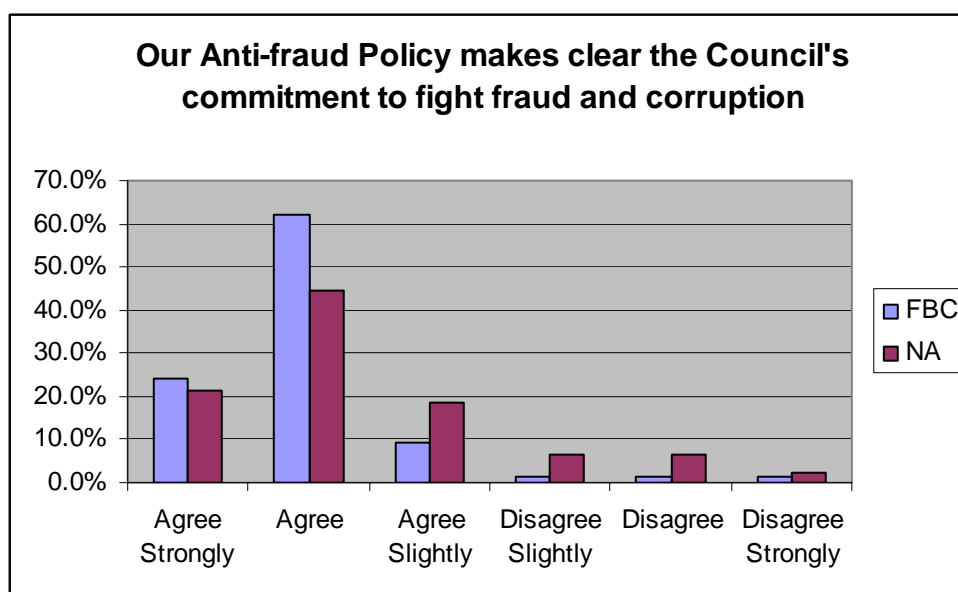
What is your Pay Grade?	
No reply	1.5%
Scale 1-6	63.6%
Senior Officer Grade	7.6%
Principal Officer Grade	19.7%
Management Team	7.6%

Main conclusions

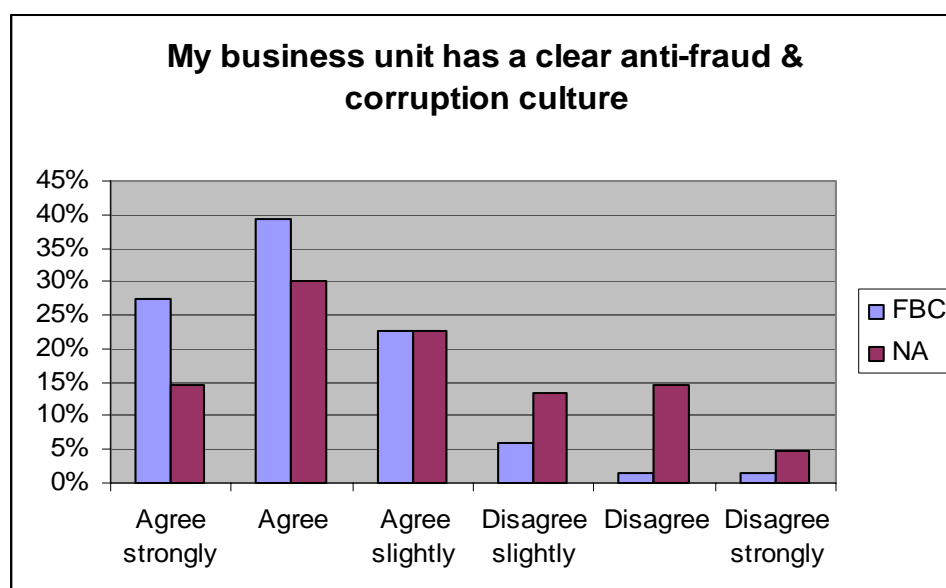
The anti-fraud culture at Fylde is strong and employees have a high level of confidence in the Council's arrangements for tackling fraud and corruption.

Key messages from the survey

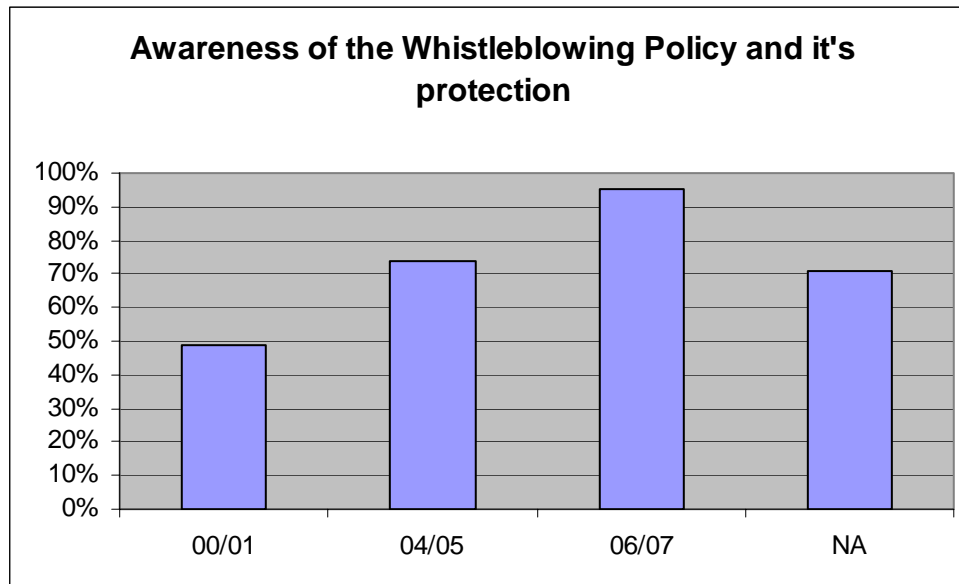
- The responses to the statement 'Our Anti-Fraud Policy makes clear the Council's commitment to fight fraud and corruption' were compared with the National Average (NA) and it was found that Fylde Borough Council (FBC) is significantly above average on the most positive responses.



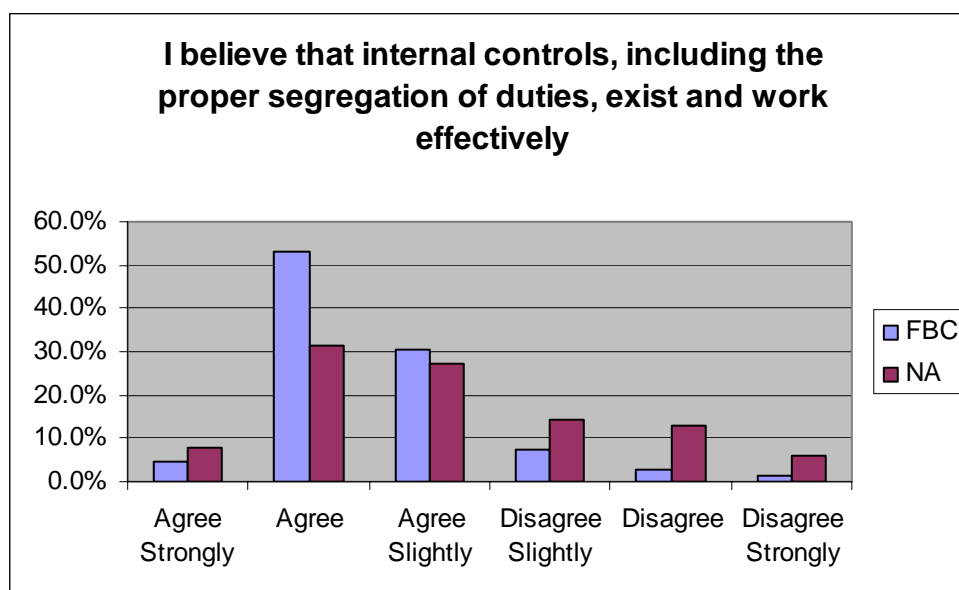
- 89% of respondents think that this policy is making a positive difference.
- Staff were also very positive about the anti-fraud and corruption culture within their business units:



- There has been a steady increase in staff awareness of the Whistleblowing Policy since the survey was first conducted in 2000/01. The awareness is now better than the National Average (NA). At the last survey a recommendation was made to increase awareness as a quarter of staff were not aware of the policy. The policy was circulated to all staff and subsequently mentioned in relevant 'Grapevine' articles. This appears to have had a positive effect.



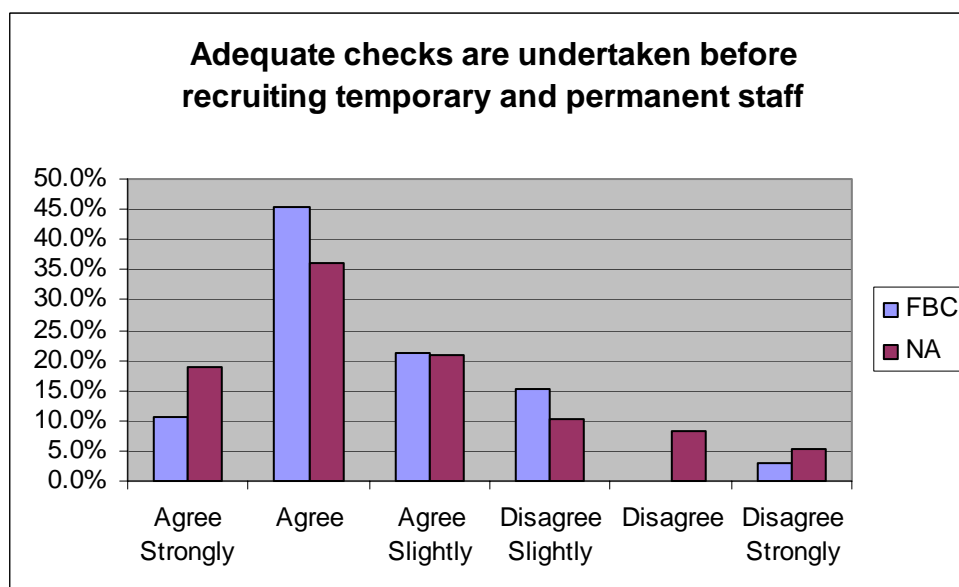
- 95% of respondents believe there are comprehensive internal regulations that clearly cover key risk areas.
- However, this slips to 77% when staff are asked if other colleagues are aware how our internal regulations affect their work and their personal responsibilities.
- 88% of staff were positive about the effectiveness of internal controls. This was well above the national average for the overall positive responses.



- Staff appear to have less confidence in their colleagues than themselves for reporting fraud and understanding how internal regulations affect their work and personal responsibilities.
- 70% of respondents were aware of the role of the Standards Committee and satisfied with its effectiveness.
- Some 78% of staff consider that registers of Interests, Hospitality and Gifts are reviewed regularly. This is considerably better than the national average.



- 81% of staff felt that adequate checks are undertaken before recruiting staff. When compared with the national average Fylde is slightly above average overall.



- 84% of staff felt that the Councils disciplinary procedure did provide an effective deterrent against fraud and corruption.
- Overall 80% Of respondents agreed with the statement that fraud and corruption at Fylde in various categories is either non-existent or very rare.
- However, the table below shows the percentage of respondents who expressed concerns in the following areas; the table also shows the results of the 2004/05 survey for comparison:

Types of employee fraud and corruption	2004/05	2006/07
Theft of cash or goods	9%	17%
Submitting false timesheets or claims for reimbursement	11%	17%
Falsifying records for personal gain	5%	12%
Misuse of Council assets, vehicles or plant	8%	17%
Corrupt practices or bribery	1%	16%
Showing favour to family or friends	5%	23%
Deliberately breaking Council regulations	11%	15%
Abuse of sickness absence scheme	11%	35%
Falsification of flexitime records	11%	20%

All the percentages have increased since 2004/05, some have increased quite significantly (corrupt practices or bribery, showing favour to family or friends, abuse of sickness absence scheme). A further breakdown of this data showed that:

- Employees on scale 1 to 6 had more concerns about fraud than any other group
- The greatest worry for managers and the overall highest concern revealed by the survey was abuse of the sickness absence scheme.

Respondents indicated they would take the following actions if they had suspicions that something was not right - again this data also includes the results of the 2004/05 survey for comparison purposes:

Where fraud would be reported	2004/05	2006/07
Discuss with a work colleague	37%	26%
Report to a line manager/supervisor	75%	74%
Report to internal audit	37%	65%
Report to an external inspector (e.g. Audit Commission)	5%	0
Contact 'Public Concern At Work'	0	3%
Contact external body (e.g. Police, professional body)	0	6%
Contact the media	1%	1%
Probably take no action	5%	1%

The results show that most staff would report fraud to their line manager/supervisor or to internal audit.

- Most satisfyingly the percentage of employees who would probably take no action has dropped from 5% to just 1%.



FYLDE BC
Internal Audit Service

Control Self-Assessment Questionnaire

Preventing and detecting fraud and corruption

How good are we?

This short questionnaire is designed to test perceptions of the effectiveness of the Council's overall arrangements for preventing and detecting fraud and corruption as well as those within your business unit.

The questionnaire is intended to be completed anonymously reflecting your personal view of the arrangements. The results will be summarised to present an overall perspective.

On the questionnaire the boxes should be marked as follows:

1	2	3	4	5	6
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree Strongly	Agree	Agree Slightly	Disagree Slightly	Disagree	Disagree Strongly

Place a tick in box 1 if you agree strongly with the statement on the questionnaire.

Place a tick in box 6 if you disagree strongly with the statement.

If you neither agree strongly nor disagree strongly with the statement place a tick in the square which most closely matches your view.

Questionnaire

About You

THE RETURNED SURVEY FORMS WILL BE COMPLETELY CONFIDENTIAL

1. What is your Pay Grade? Please tick only one box.

- ◆ Scale 1-6 ☐
- ◆ Senior Officer Grade ☐
- ◆ Principal Officer Grade ☐
- ◆ Management Team ☐

2. Which business unit do you work in? Please tick only one box.

- ◆ Community & Cultural Services ☐
- ◆ Consumer Wellbeing & Protection ☐
- ◆ Corporate Policy & Performance ☐
- ◆ Democratic & Member Services ☐
- ◆ Finance ☐
- ◆ Legal Services ☐
- ◆ Strategic Planning & Development ☐
- ◆ Streetscene Services ☐
- ◆ Executive Team ☐

Anti-Fraud Culture

		1	2	3	4	5	6
1	<i>Our Anti-Fraud Policy makes clear the Council's commitment to fight fraud and corruption</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<i>This is making a positive difference</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<i>I am clear that I am expected to be vigilant against fraud</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<i>I believe that staff understand they should be alert to possible fraud</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	<i>I would be confident about reporting possible fraud</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	<i>I believe staff are confident about reporting possible fraud</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	<i>My business unit has a clear anti-fraud and corruption culture</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	<i>There are clear and confidential whistleblowing arrangements for staff to express concerns about fraud and corruption</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<i>I am aware the Whistleblowing arrangements, provide protection to employees making a disclosure concerning fraud and corruption</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Internal Regulations*

11	<i>There are comprehensive internal regulations that clearly cover key risk areas</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	<i>I am aware of how our internal regulations affect my work in minimising fraud</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	<i>I believe staff are aware of how our internal regulations affect their work and their personal responsibilities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	<i>Our internal regulations provide a sound anti-fraud framework</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	<i>There are agreed and documented procedures for handling breaches of our internal regulations</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	<i>I believe that internal controls, including the proper segregation of duties, exist and work effectively</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- **Internal regulations** include Financial Regulations, Finance Operations Manual, Contract Procedure Rules, Purchasing Card Guidelines etc.

Staff & Member Conduct

		1	2	3	4	5	6
17	<i>There is a Standards Committee responsible for upholding standards of member conduct within the Council</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	<i>I understand the role of the Standards Committee and believe it to operate effectively</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	<i>Codes of Conduct are established for staff and members regarding their personal behaviour</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	<i>Staff and members comply with the Codes of Conduct</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	<i>Ethical guidance is available to staff via the Intranet</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	<i>Registers of interests are kept in which staff and members are required to record any interests which may compromise their impartiality</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	<i>Staff and members are reminded of the need to record such interests</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	<i>The registers for interests are reviewed regularly</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	<i>Registers are kept in which staff and members record the receipt and offering of hospitality or gifts</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	<i>Staff and members are reminded of the need to record any hospitality or gifts</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	<i>The hospitality and gifts registers are reviewed regularly</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Personnel Issues

28	<i>Adequate checks are undertaken before recruiting temporary and permanent staff</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	<i>Our disciplinary procedures provide an effective deterrent to fraud and corruption</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Experience of Fraud

In my experience of working at Fylde Borough Council the following types of employee fraud and corruption are either non-existent or extremely rare:

		1	2	3	4	5	6
30	<i>Theft of cash or goods</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	<i>Submitting false timesheets or claims for reimbursement</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	<i>Falsifying records for personal gain</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	<i>Misuse of Council assets, vehicles or plant</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34	<i>Corrupt practices or bribery</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	<i>Showing favour to family or friends</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36	<i>Deliberately breaking Council regulations</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37	<i>Abuse of sickness absence scheme</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38	<i>Falsification of flexitime records</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reporting Fraud

If I had a strong suspicion of fraud or corruption at work I would take the following action:

39	<i>Discuss with a work colleague</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40	<i>Report to a line manager/supervisor</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41	<i>Report to internal audit</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42	<i>Report to an external inspector (e.g. Audit Commission)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
43	<i>Contact 'Public Concern At Work'</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
44	<i>Contact external body (e.g. Police, professional body)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
45	<i>Contact the media</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
46	<i>Probably take no action</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Audit Committee



Date	Thursday 29 March 2007
Venue	Town Hall, Lytham St Annes
Committee members	Fabian Wilson (Chairman) Keith Hyde (Vice-Chairman) Christine Akeroyd, John Coombes, Paul Hayhurst, Elizabeth Oades, Simon Renwick, Ron Wilson
Other Councillors	
Officers	Phillip Woodward, Tracy Scholes, Savile Sykes, Andrew Wilsdon
Others	Mike Thomas, Gareth Winstanley, Mike Tye

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 4 January 2007 as a correct record for signature by the chairman.

3. Substitute members

Councillor Ron Wilson was substituting for Councillor John Longstaff.

4. Annual Audit and Inspection Letter

Mike Thomas (the Audit Commission's Relationship Manager for the Council) presented the Annual Audit and Inspection letter. Mr Thomas was accompanied by Mr Winstanley who had acted as the Audit Manager covering the Council over the last year. Mr. Thomas reported that the Council's Auditors in 2007/08 would be KPMG but in the meantime any residual Audit Commission activity would be managed by Mr. Tye.

The Annual Audit and Inspection letter was produced each year by the Audit Commission containing judgements on the Council's overall performance; its use of resources; its accounts and financial position; commentary on other inspection activity undertaken across the year and action required by the Council to maintain its improvement momentum.

Mr. Thomas reported that the headline message was that the Council continued to improve services in areas which had been identified as priorities and were important to communities. These services included community safety, streetscene and the local environment. However, this strong performance was not uniformly the case in all areas therefore giving an overall picture of mixed performance with housing benefits and planning performance having been noted to have slipped during the course of the year. Mr. Thomas outlined that this report was presented to the elected members of the Council in order that they could be aware of areas of concern and continue to challenge this.

On the Use of Resources judgement contained within the report Mr Thomas outlined that although the overall assessment gave a score of a 2 out of a possible 4, there had been some improvements from the following year with both Internal Control and Value for Money now scoring a 3. However, financial reporting had dropped back from a 2 to a 1.

Mr Woodward (Chief Executive) outlined that he had prepared an Action Plan to address the points of concern outlined by the Audit Commission and this was to be discussed further by the Management Team. A copy of the Action Plan was provided to all members at the meeting. Mr. Thomas welcomed the fact that an Action Plan had been produced in order that the improvements required could be actioned at the earliest opportunity.

RESOLVED That the report from the Audit Commission be received and the Chief Executive and Management Team be requested to take the actions outlined in the report to enhance the improvement momentum further

5. Internal Audit Plan 2007/08

Savile Sykes (Head of Internal Audit) presented the Internal Audit Plan for 2007/08 for approval.

Mr Sykes outlined that the main purposes of internal audit planning were:

- To determine priorities
- To assist in the direction and control of audit work
- To help ensure work is completed within a pre-determined target

It was explained that the detail of the planned activity is agreed in advance of each year by the Section 151 Officer (Mr White) and the Council's Management Team. Mr Sykes went on to explain about the audit universe; the application of a risk assessment process to activity together with how resources were allocated to activity over a five year period.

RESOLVED

That the Committee approves the Annual Internal Audit Plan for 2007/08

6. Statement on Internal Control

Savile Sykes (Head of Internal Audit) reported on the Statement on Internal Control and associated Action Plan. He reminded members that the Council was required to carry out a review of its control environment at least once a year and to publish a Statement on Internal Control (SIC). An action plan to remedy any weaknesses in control was prepared and Mr Sykes reminded members that this had been presented to the Committee at its previous meeting.

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At the last meeting members had requested a further report updating the Action Plan and the report before members presented the performance picture to date. Mr Sykes provided a further verbal update that since the publication of the agenda, a number of actions had been updated and he provided an overview of this. Actions 1, 3, 9 and 11 would be completed by the end of March 2007. Action 4 had a revised target date of July 2007, which confirmed the reporting requirements set by the Cabinet at its March meeting. Action 6 had now had a 50 per cent completion rate with arrangements in hand for the remaining four Business Units to have their operational risk registers in place.

Following debate the Committee RESOLVED the following:

To note the latest position with regard to each of the issues currently included on the Statement on Internal Control 2006/07

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