

Audit Committee



Date:	Thursday, 27 June 2013
Venue:	Town Hall, St. Annes
Committee members:	Councillor John Singleton (Chairman) Councillor Brenda Ackers (Vice Chairman) Councillors Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper, Karen Henshaw, Charlie Duffy.
Other Councillors:	Councillor Karen Buckley
Officers:	Tracy Morrison, Paul Walker, Paul O'Donoghue, Andrew Wilsdon, Savile Sykes and Paul Rogers
Other Attendees:	None

1. Declarations of interest

Members were reminded that any disclosable pecuniary interests should be declared as required by the Localism Act 2011 and that any other interests should be declared as required by the Council's Code of Conduct.

There were no declarations of interest.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 21 March 2013 as a correct record for signature by the Chairman.

3. Substitute members

The following substitutions were reported under Council procedure rule 25:

Councillor Karen Henshaw for Councillor Howard Henshaw.

Councillor Charlie Duffy for Linda Nulty.

4. Risk Management Annual Report

Andrew Wilsdon, Risk and Emergency Planning Officer, presented a report which summarised the yearend report on the 2012/13 Strategic Risk Register Action Plans and the work undertaken by the Council's Risk and Emergency Planning Officer in producing the Strategic Risk Register for 2013-14. The report links principally to the Corporate Objective – "to meet the expectations of our customers".

The Committee noted that the date in recommendation 1 in the report should read '2012-13'.

In taking members through the various sections of the report, Mr Wilsdon drew members' attention to table 1 on page 18 which detailed the outstanding risk actions that had not completed by 31 March 2013. He emphasised that the first group of actions related to the accommodation action plan and that the non completion of those actions was due to delays in the sale of the Public Offices and Wesham Offices. As a consequence of those delays, further work relating to the procurement of temporary office accommodation had been delayed because those works were reliant on the resources generated by the sale of the offices. Delays regarding the Coast Protection Strategy were due to the Council becoming part of the Fylde Peninsula group who then altered the timescales for the work. Nevertheless, the work was being actioned and the appraisal report was agreed at the end of May 2013.

Councillor Kathleen Harper expressed concern about the delays in the refurbishment of the Town Hall and the possibility of increased costs of the refurbishment as a consequence. Paul Walker, Director of Development Services, informed the Committee that although building works costs had remained relatively stable, it would not be possible to determine actual refurbishment costs until bids for the work had been received.

Following discussion, it was RESOLVED that

- (1) The yearend report of the progress on the 2012-13 Risk Action Plan be noted.
- (2) The Strategic Risk Register for 2013-14 be approved.
- (3) The Strategic Risk Management Strategy approved by the Audit Committee in September 2011, is re-approved for the year 2013-14.
- (4) An update of progress on the completion of the risk actions included in the Strategic Risk Register be presented to the November Audit Committee meeting.

5. Internal Audit Annual Report 2012-13

Savile Sykes, Head of Internal Audit, presented a report which provided an opinion on the effectiveness of the Council's system of internal control in support of the Annual Governance Statement. It also summarised the work undertaken by internal audit from April 2012 to March 2013 and performance information for the same period. The report meets the Head of Internal Audit's responsibility under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, the prevailing code for the period.

Mr Sykes took members through the report and emphasised its purposes. He drew attention to the High Priority Risks Identified in table 4 on page 55 and informed the Committee that the arrangements for penalty notice administration shown at point 2 in the table had been completed (Minute no. 7 refers) in line with the other risks in the table. He advised the Committee that the

‘Follow Up’ review figures detailed in table 5 on page 56 indicated the position at 31 March 2013. Currently, the Car Parking implementation was 93 per cent which was a marked improvement. As a result, the percentage of high and medium priority recommendations implemented in 2012/13 was amended to 94 per cent. In table 7, ‘Annual Implementation Rates’, the figures were revised as follows:

Overall Implementation %	93.3
High/Medium Implementation %	93.8

The implementation rate for high/medium priority risks was, to date, the best the Council had ever achieved.

The Chairman concluded that it was nice to see that the high risks had been completed and that it was a good report.

After discussion it was RESOLVED that

- (1) To approve the annual report of the Head of Internal Audit.
- (2) To note the Internal Audit opinion that reliance can be placed on the Council’s control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council.
- (3) To congratulate officers on achieving an improved satisfactory audit percentage despite the budgetary reductions.

6. High Priority Areas (Update)

Savile Sykes, Head of Internal Audit, reminded members that at its meeting in January 2013, the Committee had considered the Internal Audit Interim Report for 2012/13 and the Head of Internal Audit was requested to provide a further report concerning the outstanding high priority actions identified. The Head of Internal Audit reported further to the March 2013 meeting of the Committee and the report before the Committee detailed the current position.

Paul Walker, Director of Development Services, referred to the action in respect of the penalty notice administration as referred to in the table on page 95. He reminded members that the issue related to a contract with a company called Chipside, who process penalty charge notices for car parking offences on behalf of the Council. By way of background, he informed the Committee that in 2009, Chorley Borough Council on behalf of eight authorities, including Fylde, had carried out a procurement exercise which resulted in the award of the contract to Chipside. Individually, those authorities endeavoured to enter into a contract with the company and currently, only two Councils had entered into formal contracts. This Council did not enter into the written contract which Chipside had drawn up because there were elements in the contract which the Council could not endorse. There was, however, an agreement in place with the company based on the specifications set out in the tendering exercise and work had progressed on that basis. The officers continued to discuss the contents of the contract with the company and had now been able to agree a revised mutually agreeable written contract with the company which has now been signed off. The action referred to in the report had, therefore, been completed.

Mr Sykes advised that the remaining two high priority actions as set out in the report had also been completed.

It was RESOLVED that the Committee notes that the high priority actions as detailed in the report and referred to above have been completed and signed off accordingly.

7. Effectiveness of the Audit Committee

Savile Sykes, Head of Internal Audit, introduced a report which presented the findings of a self assessment exercise undertaken by the Head of Internal Audit in conjunction with the Chairman and Vice Chairman of the Committee in relation to the effectiveness of the Audit Committee. The self assessment compared existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

Councillor Charlie Duffy referred to the two areas of partial divergence, paragraph 6 of the report refers, and asked for more detail in the explanation of non compliance with best practice in those areas so the public could be reassured of the independence of Audit Committee members. Mr Sykes advised the Committee that the external auditors were aware of the situation and they had not raised any issues in that respect. He emphasised that he, as well as the Chairman and Vice Chairman, had assessed the Chairman's position and took the view that the Chairman's independence was not compromised by his membership of a scrutiny committee. He informed the committee that the membership of the Audit committee had remained fairly constant over the last three years and in that time, he had observed that it had operated in a very independent way. He advised members that, in his view, all members of the committee are sufficiently independent of other committees.

After discussion, it was RESOLVED that the Committee agrees the findings of the self assessment of the effectiveness of the Audit Committee against the checklist provided by the CIPFA better governance forum in their publication 'A Toolkit for Local Authority Audit Committees' undertaken by the Chairman and Vice Chairman of the Committee.

8. Effectiveness of Internal Audit

Savile Sykes, Head of Internal Audit, presented a report regarding a review of internal audit effectiveness which was required every year as part of satisfying the overall governance arrangements in local authorities and in support of the Council's Annual Governance Statement. The report presented the findings of a self assessment exercise in relation to the effectiveness of internal audit.

After taking members through the various sections of the report, it was RESOLVED that

- (1) The Committee notes the findings of the review on the effectiveness of internal audit and confirms the conclusion that the Council has an effective internal audit service.
- (2) The thanks of the Audit Committee be conveyed to the officers for an improved audit performance.

9. Annual Governance Statement

Tracy Morrison, Director of Resources, presented the Annual Governance Statement prepared under the CIPFA/SOLACE framework the local code of corporate governance for approval.

In making reference to the various sections of the report Ms Morrison referred to the action plan for the previous financial year which had been on-going. At the last Audit committee meeting, it was requested that an update be presented to this meeting on the equalities training and guidance for staff. She informed members that Ian Curtis, Head of Governance, was using a national framework to roll out the training across the Council which was in progress. There were nine modules in the training with five of those modules being designed for senior managers. There was one module left to be delivered to senior managers and once that had been delivered, those

managers could cascade the information out to staff through team briefings which will ensure that the remaining four modules are delivered.

Councillor Charlie Duffy referred to the 63 point check list and asked why it had not been attached to the report as had been provided with some of the other reports on the agenda so that members could see how the points in the checklist were complied with. Ms Morrison advised that those comments would be taken on board and that the checklist with evidence and comments would be attached to statements in future years. She added that in view of the amount of information which is reviewed, she suggested that this be reported in a high level summary form.

Following discussion, it was RESOLVED

- (1) The Annual Governance Statement be approved for signature by the Leader of the Council and Chief Executive.
- (2) That future Annual Governance Statements be supported with information gathered via the 63 point check list which will be presented to the Committee in a high level summary format.

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