

Audit Committee



Date	Thursday, 23 June 2011
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, Howard Henshaw, Linda Nulty
Other Councillors	None
Officers	Ian Curtis, Paul O'Donoghue, Savile Sykes, Andrew Wilsdon, Lyndsey Lacey
Other Attendees	Iain Leviston - KPMG

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.

Councillor Brenda Ackers (Vice-Chairman) declared a personal interest in item 5 (Risk Management Annual Report) in so far as it made reference to the sale of the former Wesham Offices site which is currently being leased by the Conservative group.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 31 March 2011 as a correct record for signature by the Chairman.

3. Substitute members

There were no substitutions.

4. Constitution

Ian Curtis (Head of Governance) reported that the Council's constitution needed to be re-adopted by the Council each year. The report highlighted some proposed changes and invited the committee to recommend to Council that it formally re-adopts the constitution subject to those changes.

In summary, the proposed changes related to:

- Appointment of Leader
- Name change to the Development Control Committee
- Temporary stop notices

- Land transaction procedures
- Petitions
- Planning Code

In addition to the above, the Chairman, Councillor John Singleton, suggested a couple of other changes relating to the substitution arrangements. Firstly, an increase from 4 to 6 substitutes allowed at meetings of the Development Control Committee (as recommended by that committee) and, secondly, that arrangements be put in place for party leaders or their deputies to nominate substitutes.

Councillor Linda Nulty asked for a definition of “close association” (paragraph 11 of the report referred). In response, Mr Curtis explained that this was covered in case and tribunal law.

Councillor Howard Henshaw enquired about the proposed name change of the Development Control committee. In doing so, he asked if there was a national directive requiring this. This was addressed by Mr Curtis.

Councillor Kath Harper sought clarification on the value limits of gifts and hospitality. In response, Mr Curtis read out an extract from the constitution which addressed this matter.

Following discussion, it was RESOLVED:

1. To recommend that Council re-adopt the constitution as appended to the report and incorporating the changes highlighted in the report.
2. To recommend to Council that it considers incorporating the additional changes to secure the following:
 - *The leader or deputy leader of a political group be entitled to nominate substitute members in addition to the member being substituted for.*
 - *An increase in the number of Reserve DC Members from 4 to 6.*

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it).

5. Risk Management Annual Report

Andrew Wilsdon (Insurance and Risk Management Officer) introduced a report which summarised the year-end report on the 2010/2011 Risk Register Action Plans, the work undertaken by the Council’s Insurance and Risk Management Officer in producing the Strategic Risk Register for 2011/2012, and the annual review of the Risk Management Strategy.

In terms of the Risk Register, the report presented an update on the 44 actions that were highlighted in the 2010/11 period and 29 actions included in the 5 Risk Actions Plans for the 2011/12 period.

Mr Wilsdon further reported that the recommendations relating to the Risk Management Strategy was still under completion and that an updated report would be presented in due course.

Councillor Nulty commented on Action Plan 3 relating to the member buy in to progress the principle of trading as FBC solutions. She added that it was unclear as to whether the new Council was still committed to this principle.

Following discussion the Committee RESOLVED:

1. To note the year end report of the progress made on the 2010-2011 Risk Action plans.
2. To approve the Strategic Risk Register for 2011-2012 and that an updated report be presented (in a reformatted style) to the September meeting of the committee.
3. To present an updated report outlining the proposed amendments to the Risk Management Strategy to the September meeting of the committee
4. That Action Plan 3 relating to member buy in to FBC Solutions is carried out formally so that the new council has the opportunity to restate the commitment to the principle of FBC Solutions

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it).

(Councillor Howard Henshaw requested that his name be recorded as having voted against the controls already in place with regard to the Treasury Management Strategy which had been considered and approved by Council at its meeting on 2nd March 2011 as part of the Medium term Financial Strategy report).

6. Annual Governance Statement

Ian Curtis (Head of Governance) introduced a report on the Annual Governance Statement, prepared under the CIPFA/SOLACE framework (the local code of corporate governance), for approval.

Members were advised that the statement explained how Fylde Borough Council had complied with the code and showed how the effectiveness of governance arrangements had been monitored during the year.

The report highlighted the six core principles adopted from the CIPFA/SOLACE guidance which underpinned the council's system of governance. Under each core principle, the code identified a series of sub-principles, which in total provided a checklist. The Corporate Governance Group, comprising the Chief Executive, the Director of Governance and Partnerships, the Section 151 officer, the Head of Internal Audit and the Head of Governance, or the nominee of each such officer, had conducted a detailed self-assessment of the council's governance against this checklist.

A copy of the Annual Governance Statement was attached to the report for members' consideration.

Mr Curtis stated that building on 2010/11 improvements, the statement identified the following areas for improvement in 2011/12:

- The development of corporate purchasing arrangements will be finalised with the roll out of the Civica purchasing module on an authority-wide basis.
- Data Protection and Freedom of Information training and guidance will be provided for staff to refresh and embed knowledge concerning the individual's right to privacy with respect to the handling and processing of personal data.
- Training and guidance will be provided on equalities to ensure staff have the requisite knowledge concerning this area taking into account recent changes in legislation.
- Procurement arrangements will be enhanced further to achieve best value and effective use of resources.

- Business Continuity arrangements will be reviewed and refreshed to ensure that contingency plans remain robust in light of any emergency which may face the Council.

Mr Curtis added that although not an area necessarily for improvement it had also been identified that the Council would have to respond to emerging issues currently identified within the Localism Bill when enacted.

Councillor Nulty commented on the section within the code relating to taking informed and transparent decisions which are subject to effective scrutiny and management risk. In doing, so she referred to the recent decision relating to the sale of Melton Grove, which she did not think met the core principle.

Following detailed consideration it was RESOLVED:

1. To approve the Annual Governance Statement for signature by the Chairman.
2. To review at the next meeting the 5 Action Plans in relation to the areas identified for improvement as detailed above.
3. To review at the next meeting any outstanding actions arising from the 2010/2011 Annual Governance Statement Action Plan.

With regard to the above decision a recorded vote was taken and the voting was as follows:

For the above decision - Councillors John Singleton, Brenda Ackers, Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper and Howard Henshaw

Against the above decision - Councillor Linda Nulty

7. Regulation of Investigatory Powers Act 2000: Authorisations

Ian Curtis (Head of Governance) presented a report on the above. He explained that councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly.

Mr Curtis provided an overview of the RIPA framework and advised that in the quarter to March 2011, there were no authorised operations. In the quarter to June 2011, there had been none at the date of reporting to committee.

It was RESOLVED that the Committee note the report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it.)

8. Internal Audit Annual Report 2010 -11

Savile Sykes (Head of Internal Audit) presented a comprehensive report which summarised the work undertaken by Internal Audit from April 2010 to March 2011 and performance information for the same period. It also included an opinion on the soundness of the Council's internal control environment in support of the Annual Governance Statement.

In brief, the report set out the role, purpose and context of audit activity. It also provided details/updates of the 26 reports issued during 2010/11 period, the associated assurance level/rating for each area reviewed and the 12 high priority risks identified. The report also gave an overview of the follow-up work (which included details of agreed

recommendations implemented) and information on other internal audit work relating to special investigations, counter fraud work, projects, consultancy and advice together with information on the performance of Internal Audit (which included feedback from the client feedback questionnaire).

Mr Sykes stated he was pleased to report that, based on the work undertaken for the 12 months (ended 31 March 2011), reliance could be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes that are in place to achieve the objectives of the Council. In addition, the financial system assurance score had exceeded the five year average and represented the highest score achieved. He added that the overall implementation rate for all reports followed up in 2010/11 was 95.7% compared to last year's 92.0% Mr Sykes stated that this was the highest overall implementation figure achieved and exceeded the target of 90%. Mr Sykes then went on to present the updated figure of high and medium priority recommendations implemented in 2010/11 (which was 94.4% compared to 93.3%) last year. In terms of the percentage of the 2010/11 revised audit plan (completed to 31 March), this was 93.9%, exceeding the 90% target for the year. However, as a result of on-going audit work slipped into 2012, the annual rate now stood at 96.4%. As far as the client satisfaction rate was concerned, this was 88% slightly below target of 90%

Councillor Henshaw enquired about the non-conformity of the sand winning review. Mr Sykes explained the issues highlighted and the processes and procedures that needed to be put in place in relation to that matter.

Councillors Nulty and Aiken asked about the nonconformity to the development control review. Mr Sykes made reference to various matters including payments via the Planning Portal, the speed of processing planning applications, possible delays in drawing up section 106 agreements and recommendations of the PAS report not being implemented.

Councillor Henshaw also asked about the controls in place for the signing of bank cheques. Both Mr Sykes and Mr O'Donoghue provided an assurance that adequate controls were in place through the expenditure authorisation and budget control processes in place before cheques are generated, and that these processes in themselves were the subject of audit checks.

Councillor Aitken expressed his disappointment about the number of feedback questionnaires returned by managers and suggested that consideration of this being made mandatory be given.

Following discussion the Committee RESOLVED:

1. To approve the annual report of the Head of Internal Audit.
2. To note the Internal Audit opinion that reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council.
3. To request the Director of Strategic Development to attend the next meeting of the committee to update members' on matters associated with the sand winning operation.
4. That an updated report be submitted to the next meeting of the committee on the 2010/11 high priority risks identified.
5. To make the completion of client feedback questionnaires mandatory for managers following an internal audit review.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it.)

9. Effectiveness of the Audit Committee

Savile Sykes (Head of Internal Audit) presented the findings of a self- assessment exercise undertaken by the Chairman and Vice-Chairman of the Committee, supported by the Head of Internal Audit, 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.

A copy of the Self-Assessment checklist was circulated with the agenda. Mr Sykes indicated that there were only four areas where partial divergence from the standard was noted. Only the need for induction training for new members was considered to be significant and that this had recently been addressed. He added there were no other matters that required attention.

Following discussion, the Committee RESOLVED to agree with 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.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it)

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