

Audit Committee



Date:	Thursday, 14 November 2013
Venue:	Town Hall, St Annes
Committee members:	Councillor Brenda Ackers (Chairman) Councillors Ben Aiken, Leonard Davies, Louis Rigby, Gail Goodman JP.
Other Councillors:	Councillor Karen Buckley (Portfolio Holder for Finance and Resources)
Officers:	Paul O'Donoghue, Ian Curtis, Savile Sykes, Andrew Wilsdon, Sharon Wadsworth
Other Attendees:	Jillian Burrows (KPMG)

On commencement of the meeting Councillor Brenda Ackers, Chairman, requested a one minute silence to reflect on the recent and sudden death of committee member Councillor Kath Harper.

1. Declarations of interest

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

There were no declarations of interest.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting, held on 26 September 2013, as a correct record for signature by the Chairman.

3. Substitute members

The following substitutions were reported under Council procedure rule 25:

Councillor Gail Goodman JP for Councillor Christine Akeroyd.

4. Annual Audit Letter – 2012/13

Jillian Burrows, representing KPMG, presented the Annual Audit letter for the financial year 2012-13. The letter detailed the auditor's opinion on performance and financial management and provided the auditor's opinion on the Council's preparation of its financial statements. She reminded members that the ISA 260 report relating to Governance had been presented to the September Audit Committee meeting which had identified the key issues during the audit of the Council's financial statements for the year ended 31 March 2012.

Ms Burrows highlighted that the audit fee charged was in line with the scale fees of the Audit Commission and added that KPMG would be in a position to report on the national non-domestic rates work in January 2014.

No questions were raised by the Committee and no comments for referral to Cabinet.

It was RESOLVED that the content of the audit letter be noted, and that KPMG be thanked for their work.

5. Mid-Year Prudential Indicators and Treasury Management Monitoring report 2013-14.

Paul O'Donoghue, Chief Financial Officer, presented the mid-year review of Treasury Strategy and Prudential Indicators for Audit Committee to scrutinise in line with the recommendations of CIPFA (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management 2011. He referred members to the economic background, which showed some improvement in growth. The Bank of England had indicated it would be unlikely to consider a change in interest rates until the rate of unemployment falls below 7%. The latest forecast for interest rates, from the Council's Treasury Advisors Arlingclose, are set out in Table 1 on page 14. Mr O'Donoghue highlighted that the Council has long-term debt of £3.8m at an average interest rate of 2.856%. There has been no change in this figure since the last financial period as no additional borrowing had taken place during the current financial year and it was not envisaged that there would be a requirement to make further borrowing this year. He added that the Council would qualify for the "Certainty Rate" (0.20% below the Public Works Lending Board standard rate) for a further 12 months from 1st November 2013 on any new borrowing and that all the Councils debt was on a fixed rate rather than being exposed to interest rate fluctuations.

Mr O'Donoghue went through the prudential indicators, as set out in Appendix B. Each table showed the original indicator together with the latest estimate or revised indicator. Regarding the Forecast Capital Expenditure, Table 1 on page 20, he highlighted that the increase from £3.9m to £6m was as a consequence of slippage from 2012/13 totalling £1.487m and additions to the capital programme in 2013/14, most notably the refurbishment of the St Annes Pool in the sum of £635k.

In reply to a question from Councillor Ben Aiken, regarding repayment of borrowing from reserves, Mr O'Donoghue reminded members that as the Council had an underlying need to borrow a further £3.6m, it was prudent, due to continuing low interest rates, to maintain cash reserves and 106 monies in the short term.

In response to Councillor Louis Rigby's enquiry, as to how long it would take to repay the loans, Mr O'Donoghue confirmed that there was a total of four loans, all on fixed interest rates, and that those specific loans were all due to be repaid within the next six years.

It was RESOLVED to approve the revised prudential indicators and limits as set out in the report and that these be submitted to Full Council for approval.

6. Mid-Year Update on Strategic Risk Action Plans.

Andrew Wilsdon, Risk and Emergency Planning Officer, presented a report on the mid-year progress to date made in relation to the action plans contained in the Strategic Risk Register 2013-14, which was requested by the Audit Committee at its meeting dated 27 June 2013. Table 2, on page 25, illustrated the number of actions that were due to be completed by 31 October 2013. A total of 25 actions out of the 34 had been completed in full with a further two actions currently ongoing and seven actions delayed.

Mr Wilsdon advised the Committee that the date '2014' on the third line of paragraph 6, on page 26, should read '2013'.

The ongoing actions related to the Derby Road sale, which would be completed when planning permission was granted to the developer, the other action being the cost of planning appeals. In relation to the latter, a report with learning points, had been considered by Development Management committee and was scheduled to be reported to Cabinet on 27 November 2013. This report would complete the task.

One delayed action related to the sale of the Public Offices which has had to be remarketed after the failure of the negotiations with the highest bidder. The other six delayed actions related to the issues around the accommodation of travellers. Four of these depended on the revised Gypsy Travellers Accommodation Assessment which had been due to be completed in August 2013. This action relied on the original assessment, carried out by the University of Salford, being updated. However, this had not been possible and as a consequence a new assessment was now being undertaken on behalf of Blackpool, Fylde and Wyre Councils. This is due to be completed by March 2014. The remaining two delayed actions related to the site at Hardhorn and the ongoing legal process. Mr Wilsdon highlighted that the underlying issues causing the delayed actions are outside the direct control of the Council.

In reply to Councillor Rigby's question, Ian Curtis (Head of Governance), explained that the two leading bidders for the Public Offices site had been seeking to acquire the site for disposal to a particular end user, but that the potential end user was no longer interested in the site. Cllr Rigby also asked a question about the possibility that earlier intelligence about traveller movements could assist landowners to secure their land against unauthorised occupation. Ian Curtis replied that this would not have assisted in relation to the land at Hardhorn as the land being used was owned by the Travellers.

Councillor Goodman raised concerns about costs that have been incurred on the Gypsy Travellers Accommodation Assessment. Mr Wilsdon confirmed that the new assessment would incur costs but as it was a joint assessment with Blackpool and Wyre Councils the costs would be split three ways. The assessment would also be more geographically complete than the original assessment done by the University of Salford which was now deemed out of date.

Councillor Karen Buckley, portfolio holder for Finance and Resources, responded to a question from Councillor Rigby asking if it would have been prudent to have included Preston Borough Council in the assessment. Councillor Buckley referred to the statutory duty to co-operate and assured Councillor Rigby that the planning team, would as a matter of course, contact Preston Borough Council on any issues that they had an interest in.

Following discussion it was RESOLVED that the committee note the information in the report.

7. Internal Audit Charter 2013.

Savile Sykes, Chief Internal Auditor, introduced a report that set out the requirements for a new Internal Audit Service Charter. The Public Sector Internal Audit Standards ("PSIAS") introduced in April 2013 the requirement for the adoption of an Internal Audit Charter by the Council, to establish the framework in which the Internal Audit Service can operate to best serve the Council and meet its professional obligations.

The new Internal Audit Standards supersede the CIPFA Code of Practice and one of its requirements is the need to set out an Internal Audit Charter to replace the "Terms of Reference" formerly in place.

Mr Sykes proceeded to take the committee members through the different sections of the Internal Audit Service Charter.

The Internal Audit Charter will be reviewed periodically and any significant amendments brought to the Audit committee for approval at such time.

Councillor Goodman made reference to section 9 in the Charter, referring to fraud and corruption, which states that internal audit does not have responsibility for the prevention and detection of fraud and corruption. Mr Sykes confirmed that managing the risk of fraud is the responsibility of management. However, the Charter requires that any suspected fraud or corruption has to be brought to the attention of internal audit. If management requests assistance this may result in internal audit being involved in any subsequent investigation.

It was RESOLVED that the committee approve the contents of the Internal Audit Charter and support Internal Audit in its undertakings.

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