



Meeting Agenda

**Special Audit Committee
Town Hall, Lytham St Annes
10 January 2008, 7:00 pm**

AUDIT COMMITTEE

MEMBERSHIP

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

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>If a member requires advice on Declarations of Interest he/she is advised to contact the Legal Services Executive Manager in advance of the meeting. (For the assistance of Members an extract from the pocket guide produced by the Standards Board for England is attached).</i>	4
2. CONFIRMATION OF MINUTES: <i>To confirm as a correct record the minutes of the Audit Committee held on 27 September 2007. As attached at the end of the agenda.</i>	4
3. SUBSTITUTE MEMBERS: <i>Details of any substitute members notified in accordance with council procedure rule 25.3</i>	4
4. FOLLOW UP REPORTS 2007-08 (UPDATE)	7 – 9
5. FOLLOW UP REPORTS 2006-07 (UPDATE 2)	10 – 12
6. SPECIAL INVESTIGATION (UPDATE)	13 – 21
7. AUDIT PLAN 2007/08 AMENDMENT	22 – 28

Personal interests

8.—(1) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

- (i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- (ii) any body—
 - (aa) exercising functions of a public nature;
 - (bb) directed to charitable purposes; or
 - (cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

- (i) any employment or business carried on by you;
 - (ii) any person or body who employs or has appointed you;
 - (iii) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;
 - (iv) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);
 - (v) any contract for goods, services or works made between your authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);
 - (vi) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £25;
 - (vii) any land in your authority's area in which you have a beneficial interest;
 - (viii) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;
 - (xi) any land in the authority's area for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or
- (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision;

(2) In sub-paragraph (1)(b), a relevant person is—

- (a) a member of your family or any person with whom you have a close association; or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

Disclosure of personal interests

- 9.—(1)** Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
- (2) Where you have a personal interest in any business of your authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.
- (3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
- (4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

- (5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.
- (6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.
- (7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000(d).

Prejudicial interest generally

- 10.—**(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.
- (2) You do not have a prejudicial interest in any business of the authority where that business—
- (a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
 - (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
 - (c) relates to the functions of your authority in respect of—
 - (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
 - (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
 - (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
 - (iv) an allowance, payment or indemnity given to members;
 - (v) any ceremonial honour given to members; and
 - (vi) setting council tax or a precept under the Local Government Finance Act 1992.

Prejudicial interests arising in relation to overview and scrutiny committees

- 11.—** You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—
- (a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and
 - (b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

Effect of prejudicial interests on participation

- 12.—**(1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your authority—
- (a) you must withdraw from the room or chamber where a meeting considering the business is being held—
 - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
 - (ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;
 unless you have obtained a dispensation from your authority's standards committee;
 - (b) you must not exercise executive functions in relation to that business; and
 - (c) you must not seek improperly to influence a decision about that business.
- (2) Where you have a prejudicial interest in any business of your authority, you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
FINANCE	AUDIT COMMITTEE	10 JANUARY 2008	4

FOLLOW UP REPORTS 2007-08 (UPDATE)

Public Item

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

Summary

At its meeting in September 2007 the committee considered the Internal Audit Interim Report for first half of 2007/08. The Head of Internal Audit was requested to update members on the follow up reviews completed in the current year and to obtain revised target dates for any outstanding actions, in particular for the Purchase Card audit. This report sets out the current position.

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

Recommendation

It is recommended that:

The Committee notes the latest position with regard to follow up reviews completed to date during 2007/08.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Efficiency

Councillor Paul Rigby

Report

Background

1. Internal Audit carries out follow-up reviews to appraise management of post audit actions and to provide assurance that agreed audit recommendations have been implemented. Eight (8) follow-up reviews have been completed so far during the current financial year.
2. At its meeting in September 2007 the Audit Committee requested an update on the follow-up reviews performed including revised target dates for any outstanding actions.

Current Year's Follow Up Reviews

3. Table One below shows the total number of agreed recommendations that were implemented by managers.

Table One: Agreed Recommendations Implemented

Audit Area	R e c o m m e n d a t i o n s		
	Total Agreed	Number Implemented	% Implemented
Purchasing Cards	9	3	33%
Petty Cash & Floats	8	8	100%
BVPI Outturn Audit	7	7	100%
Annual Leave	5	5	100%
Business Rates	7	6	86%
Council Tax	7	6	86%
Housing Grants	16	16	100%
Recruitment	16	16	100%
Total	75	67	89%

4. The overall implementation rate in the current year to 15 December stands at 89%. Hopefully this position will be maintained throughout the remainder of 2007/08.
5. An undertaking has now been received that the six recommendations not implemented for Purchasing Cards will be actioned by the end of the end of March 2008. The main issues outstanding relate to the development of revised procedures, a reassessment of both transaction and monthly spending limits, and the requirement for each cardholder to acknowledge receipt of their card.
6. In the case of Business Rates and Council Tax, the recommendation not implemented is the same for both systems. It concerns the reinstatement of monthly reconciliations between CTax/NNDR and main accounting. This process is scheduled to recommence by the end of January 2008.

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework.

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
Internal Audit Interim Report 2007/08	Latest update	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

REPORT



REPORT OF	MEETING	DATE	ITEM NO
FINANCE	AUDIT COMMITTEE	10 JANUARY 2008	5

FOLLOW UP REPORTS 2006-07 (UPDATE 2)

Public Item

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

Summary

At its meeting in June 2007 the committee considered the Internal Audit Annual Report for 2006/07. The Head of Internal Audit was requested to remind managers of the recommendations they had agreed to implement and to provide a further report outlining the number of recommendations still outstanding. This report sets out the current position.

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

Recommendation

It is recommended that:

The Committee notes the latest position with regard to each of the agreed internal audit recommendations not implemented by management during 2006/07.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Efficiency

Councillor Paul Rigby

Report

Background

1. Internal Audit carries out follow-up reviews to appraise management of post audit actions and to provide assurance that agreed audit recommendations have been implemented. Thirteen (13) follow-up reviews were completed during the financial year 2006/07.
2. The Internal Audit Annual Report for 2006/07 noted that the overall implementation rate had declined from 72% in 2005/06 to 63%. This was in spite of the introduction during the year of an alert to managers when the implementation date had passed for each agreed recommendation and again in advance of the follow-up review.
3. At its meeting in June 2007 the Audit Committee requested the Head of Internal Audit to remind managers of the outstanding high and medium priority recommendations they had agreed to implement and to provide a further report outlining the number of such recommendations still not in place.
4. A report to the September 2007 meeting reported that the revised implementation rate had improved overall to 72% - the same as for 2005/06. The rate of implementation for high and medium recommendations had increased from the originally reported figure of 64% to 80%.

Current Position

5. A total of 22 agreed recommendations in the high and medium priority category were brought to the attention of managers following the Audit Committee resolution. Three are no longer applicable following changes in service delivery or the use of new computer software. Of the remaining 19 a total of 13 have now been implemented.
6. This increases the overall annual rate of implementation from 63% to 75%. The rate of implementation for high and medium recommendations has now increased from the originally reported figure of 64% to 90%.
7. The Table below shows the total number of agreed high & medium recommendations that have now been implemented by managers:

2006/07 High & Medium Recommendations Implemented –at 20/12/07

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
Sundry Debtors 05-06	-	-	4	-	100%
Creditors 05-06	-	-	6	-	100%
Post Opening	-	-	8	-	100%
Payroll	-	1	13	1	87%
Treasury Management	-	1	1	2	25%
Creditors 06-07	-	-	5	-	100%
Sundry Debtors 06-07	-	-	7	-	100%
Land Charges	-	-	4	-	100%
Cash Collection	1	-	3	1	75%
Total	1	2	51	4	90%

8. Improvements have been noted in the percentage of recommendations implemented for all the audits listed. Both the overall rate of implementation and the high/medium rate are the best ever recorded, the latter by a considerable margin.
9. The high priority recommendation not addressed in relation to Treasury Management relates to inadequate internal control in the execution of investments. It has been agreed that all outstanding issues within the Treasury Management Action Plan will be addressed during the period of the current Service Level Agreement with Preston CC.
10. In the case of Payroll, the high priority recommendation not implemented concerns the lack of supervisory checks on payments to employees paid through the Wyre BC payroll. Gradually all staff formerly paid by Wyre are transferring to the Blackpool payroll. This process is scheduled to be completed by 31 March when this issue will no longer apply.

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework.

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
Schedule of Outstanding Actions 2006/07	Latest update	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

REPORT



REPORT OF	MEETING	DATE	ITEM NO
FINANCE	AUDIT COMMITTEE	10 JANUARY 2007	6

SPECIAL INVESTIGATION (UPDATE)

Public Item

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

Summary

At its meeting in September 2007 the committee considered the Internal Audit Interim Report for first half of 2007/08. The Head of Internal Audit was requested to report back on a particular case outlining the findings of the disciplinary hearing and drawing the attention of the Audit Committee to any supplementary control measures that needed to be addressed as a result of the investigation.

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

Recommendation

It is recommended that:

The Committee notes the position with regard to special investigation under consideration.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Efficiency

Councillor Paul Rigby

Report

Background

1. Internal Audit assisted in the investigation of an alleged case of fraud, which came to light in June 2007 as the result of information received from a whistleblower. The allegations related to the misuse of a Council purchasing card and the placing of improper orders for goods and services.
2. At its meeting in September 2007 the Audit Committee requested an update on the case outcome and any resulting improvements in the operation of relevant controls.

Disciplinary Hearing

3. Following a detailed investigation and review of evidence obtained the Investigating Team determined that on the balance of probabilities the misconduct did occur and as such warranted more than a verbal warning. Consequently it recommended that a disciplinary hearing should be held.
4. The findings of the Investigation Team were passed to the Acting Head of Human Resources on 1st August 2007. However, a few days earlier on 27th July the officer under investigation had resigned from Council service.
5. Nevertheless it was decided to proceed with the disciplinary hearing *in absentia*, which took place on 16th October. The individual accused of malpractice was invited to attend but did not do so. A brief statement provided was read out on his behalf but this did not acknowledge any wrongdoing. The trade union representative who had assisted the suspected officer during his investigatory interviews attended to ensure fairness in the conduct of the hearing.
6. The Disciplinary Hearing found the former officer guilty of gross misconduct and concluded that if he had been in Council employment he would have been summarily dismissed. This result was recorded on the individual's personal file.
7. Subsequently an invoice was prepared for fraudulent expenditure on goods and services, which was queried on behalf of the debtor. Further clarification and a reminder letter were sent. Robust recovery action will take place in accordance with Council procedures. The debt has now been passed to the external debt recovery agency for collection.

Internal Control Implications

8. The investigation found that the operation of various controls within one team of the employing business unit was deficient. The Investigating Officer made a recommendation that Streetscene managers in conjunction with internal audit should undertake a review of various procedures to ensure suitable levels of internal control were operating.
9. As a result a schedule of best practice was developed by internal audit, which was presented at an anti-fraud fraud briefing to the senior managers of the whole business unit on 2nd November. The Head of Internal Audit facilitated the session, the contents of which are attached as Appendix 1.
10. The various managers were then required to assess whether the necessary controls were operating as expected, address areas of weakness and to certify a self

assessment assurance statement to both the Executive Manager and to the Head of Internal Audit. The managers were tasked to use the team briefing process or other team meetings to cascade the issue to other managers and supervisors. A copy of a blank assurance statement is attached as Appendix 2.

11. Assurance statements have now been received from all the relevant managers and from the Executive Manager, taking overall responsibility for the whole unit. Before the end of the financial year internal audit will carry out reality checks on the statements received and test the application of the controls.

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework.

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
Preliminary Investigation Report	July 2007	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

ANTI-FRAUD BEST PRACTICE BRIEFING

Date: 2 November 2007

Venue: Freedom House

Facilitator: Savile Sykes

Attendees: Dave Jenkinson
Gerry Sloey
Andrew Shore
Darren Bell
Jamie Dixon
Mark Wilde
Eugene Leal

Dean Francis (Internal Audit)

CONTENT OF BRIEFING

THE PRINCIPLES OF INTERNAL CONTROL

- Definition
- Types & Examples
- Responsibility

PURCHASING CARDS – ESSENTIALS

- Authorised Card Use
- Inappropriate Card Use

FINANCE OPERATIONS MANUAL

- Cash Handling
- Petty Cash
- Official Orders
- Invoice Processing

ANTI-FRAUD BEST PRACTICE

- Purchasing
- Orders
- Purchasing Cards
- Petty Cash
- IT Access
- Holidays & Sickness
- Income
- Whistleblowing

ASSURANCE FROM MANAGERS

All managers present will be required to complete an anti-fraud action plan and to provide assurance that the controls outlined within the plan are operating effectively within their areas of responsibility. Such assurance will be provided to both Dave Jenkinson as Executive Manager and to Savile Sykes as Head of Internal Audit.

**Anti-Fraud Best Practice Recommendations
STREETSCENE BUSINESS UNIT**

	Yes	No	Officer	Date
PURCHASING GENERAL				
1. All Streetscene Business Unit employees involved in the purchasing of goods and services have access to and are familiar with: <ul style="list-style-type: none"> Financial Regulations Finance Operations Manual 	<input type="checkbox"/>	<input type="checkbox"/>		
2. The number of officers authorised to approve and incur expenditure should be restricted to the minimum consistent with secure and efficient operations	<input type="checkbox"/>	<input type="checkbox"/>		
ORDERS				
3. All Streetscene Business Unit orders are raised using the authorised procedure – currently PPSL or official orders.	<input type="checkbox"/>	<input type="checkbox"/>		
4. Orders are always approved by an authorised officer whether on-line or by signature.	<input type="checkbox"/>	<input type="checkbox"/>		
5. Officers authorised to approve orders are aware of their responsibilities to ensure that: <ul style="list-style-type: none"> goods ordered are legitimately required for the performance of Council functions prices are reasonable and represent good value for money budget provision is available suppliers are appropriate and reputable 	<input type="checkbox"/>	<input type="checkbox"/>		
6. When goods are received they are checked exactly to the order to confirm quality and quantity.	<input type="checkbox"/>	<input type="checkbox"/>		
7. Delivery notes are also checked to orders, referenced and retained.	<input type="checkbox"/>	<input type="checkbox"/>		
PURCHASING CARDS				
8. The number of purchasing card holders is restricted to the <u>absolute</u> minimum consistent with secure and efficient operations.	<input type="checkbox"/>	<input type="checkbox"/>		
9. The seniority and grade of employees is taken into consideration before they are designated as purchasing card holders.	<input type="checkbox"/>	<input type="checkbox"/>		

		Yes	No	Officer	Date
10.	All designated card holders have received a copy of the Council's Purchasing Card Procedures and: <ul style="list-style-type: none"> acknowledge receipt and their responsibility to familiarise themselves with the procedures sign to acknowledge acceptance of procedures 	<input type="checkbox"/>	<input type="checkbox"/>		
11.	Purchasing card statements providing details of goods and services acquired are always approved by an authorised officer	<input type="checkbox"/>	<input type="checkbox"/>		
12.	Officers authorised to approve purchasing card statements are aware of their responsibilities to ensure that: <ul style="list-style-type: none"> goods ordered are legitimately required for the performance of Council functions prices are reasonable and represent good value for money budget provision is available suppliers are appropriate and reputable 	<input type="checkbox"/>	<input type="checkbox"/>		
13.	Managers periodically undertake unannounced checks on procedures being applied by card holders and on records maintained.	<input type="checkbox"/>	<input type="checkbox"/>		
14.	Managerial checks performed are evidenced and dated by the responsible officer.	<input type="checkbox"/>	<input type="checkbox"/>		
15.	Employees are given further training if any areas for improvement are identified as a result of the managerial check performed.	<input type="checkbox"/>	<input type="checkbox"/>		
PETTY CASH					
16.	All petty cash claims are made using the official form which is signed by the claimant and includes full details of goods or services acquired.	<input type="checkbox"/>	<input type="checkbox"/>		
17.	It is clearly understood by all employees that petty cash is for the purchase of low value items usually costing less than £50 with a maximum of £100.	<input type="checkbox"/>	<input type="checkbox"/>		
18.	Petty cash purchases are always supported by a <i>bona fide</i> VAT receipt	<input type="checkbox"/>	<input type="checkbox"/>		
19.	Petty cash claims are always approved by an authorised officer.	<input type="checkbox"/>	<input type="checkbox"/>		

	Yes	No	Officer	Date
20. Officers authorised to approve petty cash claims are particularly aware they are approving a cash reimbursement and of their responsibilities to ensure that: <ul style="list-style-type: none"> goods acquired are legitimately required for the performance of Council functions the transaction was a genuine cash purchase that could not reasonably have been avoided the description on the claim form is clear and accurate a suitable VAT receipt is attached that confirms the purchase the sum claimed is less than £100 - or exceptional circumstances apply 	<input type="checkbox"/>	<input type="checkbox"/>		
SYSTEM ACCESS SECURITY				
21. All employees, but in particular officers authorised to approve payments or other transactions online, keep their system access passwords strictly confidential.	<input type="checkbox"/>	<input type="checkbox"/>		
22. All employees are aware that any breach of system access security, whether deliberate or accidental, is reported immediately to management.	<input type="checkbox"/>	<input type="checkbox"/>		
HOLIDAY AND SICKNESS PROCEDURES				
23. Managers with responsibility for recording or monitoring employee absence and sickness are aware of the Council's Attendance Policy and apply its provisions.	<input type="checkbox"/>	<input type="checkbox"/>		
24. Records of employee sickness are scrupulously and accurately maintained such that it is absolutely clear when employees are sick and absent from work.	<input type="checkbox"/>	<input type="checkbox"/>		
25. Employees who are off work sick and in possession of a doctor's certificate are not permitted to engage in work on behalf of the Council in any capacity.	<input type="checkbox"/>	<input type="checkbox"/>		
26. Records of employee holidays are scrupulously and accurately maintained such that it is absolutely clear when employees are taking approved leave.	<input type="checkbox"/>	<input type="checkbox"/>		
27. Holiday entitlements are checked for accuracy on an annual basis.	<input type="checkbox"/>	<input type="checkbox"/>		
28. All holidays taken by employees are approved by an authorised officer in advance.	<input type="checkbox"/>	<input type="checkbox"/>		
29. Holiday leave booked by employees but not taken is notified to authorised officers and formally credited to the employees' record.	<input type="checkbox"/>	<input type="checkbox"/>		

Yes	No	Officer	Date
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INCOME DEPOSITS

- | | | | |
|-----|---|--------------------------|--------------------------|
| 30. | When a member of staff receives cash or cheques or other types of payment, a receipt in the form of a computer, machine or hand-written receipt, or a printed ticket is always given. | <input type="checkbox"/> | <input type="checkbox"/> |
| 31. | Cash and cheques received totalling more than £50 are delivered to the Finance Unit Cashier's office or bank on a daily basis. | <input type="checkbox"/> | <input type="checkbox"/> |
| 32. | The minimum frequency of deposits where cumulative receipts total up to £50 is weekly. | <input type="checkbox"/> | <input type="checkbox"/> |
| 33. | The cashier's office receipt or bank paying-in slip is agreed to the amount deposited, matched to the record of receipt and retained as evidence of the transaction. | <input type="checkbox"/> | <input type="checkbox"/> |

WHISTLEBLOWING

- | | | | |
|-----|---|--------------------------|--------------------------|
| 34. | All Streetscene Business Unit employees, including manual employees have access to and are familiar with the Council's Whistleblowing Policy. | <input type="checkbox"/> | <input type="checkbox"/> |
| 35. | All Streetscene managers understand and accept their responsibility to: <ul style="list-style-type: none"> • be familiar with the Fylde Borough Council's anti-fraud policies and ethical procedures • promote and maintain a climate in which honest, ethical and legal conduct is the norm • communicate the Council's commitment to such conduct to all members of the workforce • accept, report and investigate reports of possible misconduct | <input type="checkbox"/> | <input type="checkbox"/> |

ASSURANCE STATEMENT

I confirm that:

- the controls indicated above are in place and operating effectively within my area of responsibility
- the officer named will introduce those controls not in place by the proposed implementation date
- any changes to the date/s proposed will be reported to Internal Audit without delay
- evidence of the effective operation of controls is attached in support of this statement (unless it is impractical to do so)

Name of Manager:

Signature:

Date:

REPORT



REPORT OF	MEETING	DATE	ITEM NO
FINANCE	AUDIT COMMITTEE	10 JANUARY 2007	7

AUDIT PLAN 2007/08 AMENDMENT

Public Item

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

Summary

At its meeting in March 2007 the committee endorsed the Internal Audit Annual Plan for 2007/08. This report outlines factors affecting the achievement of the plan and sets out a number of amendments to reflect the current situation.

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

Recommendation

It is recommended that:

The Committee notes the latest position with regard to the Internal Audit Plan and the amendments to it.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Efficiency

Councillor Paul Rigby

Report

Background

1. A detailed annual plan of work for Internal Audit is prepared and agreed in advance each year by the Section 151 Officer and Management Team members, and reported to the Audit Committee.
2. A combination of unforeseen reduced resources and unplanned additional work has resulted in a lower than expected completion rate for the annual audit plan. This report explains the situation and sets out the required changes to the current year's plan.

Reduced Resources

3. The resources of internal audit are almost exclusively manpower related. During 2007/08 various changes to the team and statutory parental entitlements have impacted on the time available to achieve the plan.
4. Early in the year one officer sought reduced working hours, which was agreed. At the time it was considered that the days lost could be absorbed within existing resources, while providing a small cost saving. The annual impact in terms of time was a reduction of 11 days in capacity.
5. Subsequently a member of the audit team resigned and a recruitment time lag of 45 days occurred between the date of leaving and the commencement of the newly recruited officer.
6. Finally two members of the audit team have or intend to claim statutory parental leave. The impact on the audit plan in 2007/08 amounts to 5 days for paternity leave and 33 days for maternity leave. The effect of the maternity leave will continue into the 2008/09 year for a further 7 months.
7. The total impact of reduced manpower resources in the current audit year is 94 days.

Additional Unplanned Work

8. A contingency item is included within each annual audit plan to take account of unplanned work that occurs during the year. The number of days allowed for this in 2007/08 was 50 days. In the past this has accommodated the requirement for additional duties but in the current year the contingency allowance has proved inadequate.
9. So far this year internal audit has undertaken several pieces of unplanned consultancy and other work requested by management absorbing an additional 23 days. The most significant in terms of resources input are set out in Table One:

Table One: Consultancy Work

Consultancy activity	Additional days
Grounds Maintenance Contract Review	8
Payroll Exceptions	2*
Audit Committee – Additional Follow Up	3*
Vending Machine Arrangements	2*
Accountancy/Streetscene Budget Variation	3*

Other Activities	5
<i>* Ongoing Commitment</i>	23

10. An unusually high volume of work slipped over from 2006/07 into the current year. The most significant were the completion of a vehicle and plant review, which took 8 days and a review of the Civica start-up for creditors and debtors, which also used 8 days in 2007/08. Other small amounts of slippage to conclude various pieces of work totalled 11 extra days, resulting in a total impact of 27 days.
11. In addition, a net overrun of 6 days has occurred in the performance of planned audit reviews undertaken. The most significant changes are set out in Table Two:

Table Two: Planned Work - Savings/Overruns

Audit activity	Planned Days	Actual Days	Net Change
Cash Collection	20	30	10
Stocks & Stores	12	21	9
Housing Benefits	25	29	4
Creditors	18	22	4
Interests, Gifts & Hospitality	18	14	(4)
BVPI – Performance Indicators	41	27	(14)
Swimming Pools	18	15	(3)
Expenses F&C Review	4	3	(1)

5

12. The highest amount of unplanned work in 2007/08 has been the 69 days spent so far on special investigations. In the previous year some 21 days were taken up dealing with reactive fraud work. This compares with a total of 18 days spent on fraud in 2005-06 and 17 days in 2004-05.
13. Clearly the amount of fraud work required is not predictable and its impact on the achievement of the audit plan can be considerable. One fraud investigation is still ongoing and there are prospects of further work in this area during the remainder of the year.
14. The total amount of additional unplanned work amounts to 124 days compared to a contingency of 50, a net addition of 74 days.

Other Factors

15. Certain other factors that were not foreseen have also impacted negatively on the audit plan. The whole audit team were involved in the Job Evaluation exercise, which was largely undertaken in 2006/07. However, some aspects of JE such as the re-evaluation of certain posts and the appeals process have also used up about 6 days of additional time.
16. Other items not accounted for in the plan were 3 extra days above what was planned for work on the Borough elections in May. Also a member of the audit team worked to

assist the accountancy team with the annual close down for 2 days. Generally such small adjustments can be easily accommodated from savings or contingency days but as indicated this source has been completely exhausted.

17. The total adjustment needed for other factors amounts to a further 11 days.

Impact on Audit Plan

18. The original audit plan, including corporate and non-audit duties, totalled 802 days. A total adjustment of 179 days needs to be made to take account of the known variations described above – 94 days as a result of reduced resources and 85 days for the net variation in time used on unplanned work. The original and revised plans are attached for information as an Appendix.
19. The objective for the remainder of the year will be to undertake the audits of the remaining fundamental financial systems, to complete the follow up reviews of audits already undertaken and to conclude those audits already commenced.
20. This means the following audit reviews that have not been started will have to be omitted from this year's programme of work. Table Three sets out the omitted reviews saving 141 days, which as far as possible will be included in next years plan.

Table Three: Audits to be Omitted

Audit Reviews	Planned days
	2007-8
Private Sector Housing Grants	20
Games Site Income	12
Procurement/Ordering	18
Trade Refuse Income	18
Complaints Process	18
Partnership Review	20
Tendering & Contracts	20
BFI Performance Standards	15
	141

21. Additional savings of 16 days will be made from the time allocated to Management & Administration, with a further 9 days from sundry audit work, such as dealing with cheques and authorisation schedules.
22. A total of 166 days will therefore be saved by not undertaking planned work in the current year. A concerted effort to save the remaining 13 days from within the audits yet to be performed will be attempted.
23. These essential amendments to the plan will permit the audit team to focus on the most significant work remaining. Naturally any additional unplanned work arising in the final quarter of the year or unexpected staff changes will have a further detrimental impact on planned work. It should be stressed, however, that this year's level of variation has been exceptional.

Conclusion

24. The changes to the audit plan will inevitably mean a reduced level of audit coverage on some important aspects of Council activities. Nevertheless the fundamental systems and significant corporate matters will continue to be examined as originally planned. Where changes have occurred, the audit team's efforts have largely been refocused on matters requiring urgent, specialist attention often at the specific request of senior management. The compromise plan represents the best use of time available in the prevailing circumstances.

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework.

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 2007/08	Latest update	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

Attached Documents

Fylde Borough Council – Internal Audit Plan 2007/2008

Appendix A

FYLDE BOROUGH Council - Internal Audit Plan 2007/2008

	Original	Revised	Changes	Savings
Main Financial Systems				
Cash Collection	20	30	10	
Council Tax/NNDR (Combined)	20	20		
Business Rates	10	10		
Creditors	18	22	4	
Housing Benefit/Council Tax Benefit	25	29	4	
Private Sector Housing Grants	20	0		-20
Main Accounting	25	25		
Payroll	20	20		
Sundry Debtors	18	18		
Treasury Management	18	18		
Other Financial Systems				
Car Allowances & Expenses	15	15		
Car Parking	12	12		
Election & Electoral Payments	12	12		
Games Site Income	12	0		-12
Procurement/Ordering	18	0		-18
Trade Refuse Income	18	0		-18
CWP Licence Income (Follow Up)	1	1		
Land Charges Income (Follow Up)	1	1		
Mobile Phones (Follow Up)	1	1		
Petty Cash (Follow Up)	1	1		
Non-Financial Audit				
Complaints Process	18	0		-18
Interests, Gifts & Hospitality	18	14	-4	
Partnerships Review	20	0		-20
Recruitment Procedure (Follow Up)	1	1		
Risk Management (Follow Up)	1	1		
Vehicles & Plant (Follow Up)	1	1		
Corporate Governance				
Corporate Governance Review	10	10		
Statement on Internal Control	16	16		
Use of Resources KLOE	8	8		
Performance Management				
Performance Indicator Review	41	27	-14	
Establishment Audit				
Swimming Pool - Kirkham Baths	9	7	-2	
Swimming Pool St Annes Pool	9	8	-1	
Computer Audit				
LCC Review - Liaison/Assistance	3	3		

Appendix A

Contract Audit

Tendering & Contracts	20	0	-20
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Anti-Fraud

Benefit Fraud (Follow Up)	2	2	
BFI - Performance Standards	15	0	-15
F&C Stocks & Stores	12	21	9
F&C Expenses	4	3	-1
F&C Car Parking	3	3	
Reactive Fraud Investigations	0	69	69

Other Audit Work

Authorisation Schedules	7	4	-3
Cancelled/Replacement Cheques	20	16	-4
Financial Procedures Guide	2	0	-2

Slippage

Audit Work from 2006/07 Plan	0	27	27
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Consultancy/Advice

General Advice & Asst. Executive Board	1	1	
General Advice & Asst. Community & Cultural Servs	1	1	
General Advice & Asst. Consumer Wellbeing & Prot	1	1	
General Advice & Asst. Corporate Policy & Perform	1	1	
General Advice & Asst. Democratic Services & MS	2	2	
General Advice & Asst. Finance Unit	6	6	
General Advice & Asst. Legal Services	1	1	
General Advice & Asst. Strategic Planning & Dev	1	1	
General Advice & Asst. Streetscene Services	1	1	
Tendering & Contracting	2	2	
Unplanned Consultancy Work	0	23	23

Audit Team

Management	62	62	
Planning & Reporting	18	18	
Administration	43	43	
Service Development Work	16	0	-16
External Liaison	11	11	

TOTAL AUDIT WORK

Corporate & Democratic Core

Accountancy Assistance	0	2	2
Borough Elections	0	3	3
Committee Attendance/Chair's Briefing	7	7	
Corporate Groups/Initiatives/Meetings	5	11	6
Core Briefing/Departmental Management Team	6	6	
Corporate Induction Days	1	1	
Equality & Diversity	5	5	

Appendix A

Members Reports & Enquiries	2	2		
Minutes/Agendas/Reports/Publications	1	1		
Non Audit Work				
Controlled Stationery	16	16		
Insurance & Risk Management	8	8		
Business Unit Matters	9	9		
Contingency Allowance	50	0	-50	
TOTAL DAYS ALLOCATED	802	721	85	-166
Audit Resources Adjustment	-94		94	
Miscellaneous Time Savings		-13		13
<u>REVISED DAYS ALLOCATED</u>	708	708	179	-179

Audit Committee



Date	Thursday 27 September 2007
Venue	Town Hall, Lytham St Annes
Committee members	John Coombes, Fabian Wilson (substitute for Simon Renwick), Paul Rigby, Keith Hyde, John Singleton, Kathleen Harper, Elizabeth Oades and Louis Rigby
Other Councillors	
Officers	Phillip Woodward, Brian White, Savile Sykes and Tracy Scholes
Others	Audit Commission

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 Fabian Wilson declared a personal interest in the part of the Interim Internal Audit Report relating to special investigations.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 26 July 2007 as a correct record for signature by the chairman subject to the minutes correctly reflecting the attendance of Councillor Paul Rigby at the previous meeting.

3. Substitute members

Councillor Fabian Wilson substituted for Councillor Simon Renwick.

4. Annual Governance Report

Mike Tye of the Audit Commission was in attendance at the meeting and presented the Commission's report on Annual Governance (this report was not circulated with the agenda but was hand delivered to Audit Committee members and posted on the internet for other members information).

The key messages contained within the report were that despite missing the deadline for producing the 2006/07 statement of accounts by almost four weeks that thanks to time and effort devoted by both the Audit Commission and the Council it was anticipated that an unqualified audit opinion would be issued.

In addition, the Statement on Internal Control had been prepared in accordance with proper practice specified by CIPFA and was consistent with the findings of the audit and an unqualified conclusion on the use of resources would also be issued.

The Governance report also contained a proposed list of recommended actions that the council needed to put into place.

RESOLVED That the Annual Governance Report be accepted and the Action Plan be agreed with the Audit Commission and an updated report be brought back to the next meeting with the Action Plan being populated with target dates to achieve the improvements recommended by the Audit Commission.

5. Fylde Borough Council - IT Risk Assessment

The Audit Commission presented its report on IT. It was a requirement for the Audit Commission to gain an understanding of the Council's IT environment and the impact that this was to have on the information systems used for financial reporting. These included general controls over data centres, network operations, system software acquisition, change and maintenance, access security and application system acquisition, development and maintenance.

Members felt that in relation to disaster recovery that it was key to ensuring that shared services were developed with other councils to ensure continuity of service.

RESOLVED: (i) That the report on IT Risk Assessment be accepted and the Action Plan as attached in the report be agreed.

(ii) That a further report be brought back in due course showing progress against the agreed target dates within the Action Plan.

6. Statement of Accounts

Brian White (Finance Executive Manager) presented a report that provided a review of the accountancy section and the production of the Statement of Accounts.

The report highlighted that the accountancy section had a number of challenges including the implementation of new financial systems, recent staff turnover rates and recent long-term senior staff absences. Despite these difficulties the team had worked extremely hard, undertaking over-time over several week-ends, to ensure that the statement of accounts was produced.

However, the recent resignation of Brian White, Finance Executive Manager, needed to be addressed as a matter of urgency. Together with the other staff turnover and retention difficulties within the Finance Team it was considered that this presented the ideal opportunity to further partnership working with another council.

It was reported that some discussions had been held with Blackpool and Wyre Councils and that in the longer term joint working was a possibility, although both Blackpool and Wyre Councils were unable to provide assistance in the short term. However, initial discussions with Preston Council were looking positive in terms of joint working possibilities.

A copy of Mr. White's full report on this matter was included within the agenda papers.

RESOLVED:

1. That the offer of appointment to two internal candidates within the Accountancy Section be noted.
2. That members note the ongoing discussions with other local authorities about partnership working in the Finance Business Unit.
3. That members recommend to Cabinet the appointment of an interim accountant for a period of 8 months at an approximate total cost of £28,000 (£17500 in the current year and £10,500 next year).
4. Those members seek update and review on the position in the Accountancy Section in six months times.
5. That the Chief Executive is requested to pass on the Audit Committee's thanks and appreciation to the work of the accountancy section in meeting the deadlines to close the accounts and deliver the service during a difficult period.
7. Follow Up Reports 2006-07 (Update)

Savile Sykes (Head of Internal Audit) presented the updates on the follow up reports. At the meeting in June 2007 the committee considered the Internal Audit Annual Report for 2006/07. Mr Sykes was requested to remind managers of the recommendations they had agreed to implement and to provide a further report outlining the number of recommendation still outstanding. The report detailed the current position.

The Committee RESOLVED To note the report and report back to the Audit's Committee's next meeting to ensure that all high and medium priority recommendations are either implemented or an implementation date agreed to the satisfaction of the Audit Manager.

8. Use of Resources Action Plan Update

Phil Woodward (Chief Executive) presented a progress report against the action plan adopted in response to the 2007 Use of Resource Report. The report also detailed progress made against the improvement actions identified from the 2006/07 Audit and Inspection letter.

The Committee were happy with the progress being achieved and sought further updates at future meetings. The Chairman suggested that in future reports an additional column be included within the Actions Plans indicating progress to date.

The Committee RESOLVED to note the progress made against the action plan.

9. Internal Audit Interim Report 2007/08

Savile Sykes (Head of Internal Audit) presented a report that summarised the work undertaken by internal audit from April 2007 to September 2007 and performance information from the same period.

Following consideration the Committee RESOLVED (i) That the report be noted and that an update be brought to a future meeting of the Committee outlining revised target dates for any outstanding actions, in particular the Purchase Card audit.

10. Exclusion of the Public

RESOLVED To exclude members of the public in relation to the special investigations part of the Internal Audit Report on the grounds that it was likely that information would be discussed which would relate to an individual and/or such information would be likely to reveal the identity of the individual.

9. Internal Audit Interim Report 2007/08

RESOLVED That a report be brought back in due course outlining the findings of the hearing and drawing the attention of the Audit Committee to any supplemental control measures which need to be addressed as a result of this issue

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