

Meeting Agenda

Audit Committee
Town Hall, St Annes
Thursday 26 January 2012, 7:00p.m.

The main doors to the Town Hall will be open to the public at 6:45pm
The maximum capacity for this meeting room is 60 persons –
once this limit is reached no other person can be admitted.

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor John Singleton JP
VICE-CHAIRMAN – Councillor Brenda Ackers

Councillors

Ben Aitken	Christine Akeroyd
Leonard Davies	Kath Harper
Howard Henshaw	Linda Nulty
Louis Rigby	

Contact: Lyndsey Lacey, St. Annes (01253) 658504, Email:
lyndseyl@fylde.gov.uk



Our Vision

Fylde Borough Council will work with partners to provide and maintain a welcoming, inclusive place with flourishing communities.

Our Corporate Objectives

- To Promote the Enhancement of the Natural & Built Environment
 - To Promote Cohesive Communities
 - To Promote a Thriving Economy
- To meet the Expectations of our Customers

The Principles we will adopt in delivering our objectives are:

- To ensure our services provide value for money
- To work in partnership and develop joint working

HIGH PRIORITY ACTIONS 2010-11(Update)



A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
1. DECLARATIONS OF INTEREST: If a member requires advice on Declarations of Interest he/she is advised to contact the Monitoring Officer in advance of the meeting. (For the assistance of Members an extract from the Councils Code of Conduct is attached).	4
2. CONFIRMATION OF MINUTES: To confirm as a correct record the minutes of the Audit Committee held on 10 November 2011. As attached at the end of the agenda.	4
3. SUBSTITUTE MEMBERS: Details of any substitute members notified in accordance with council procedure rule 25.3	4
4. ANNUAL AUDIT LETTER – 2010/11	7 - 16
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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
RESOURCES DIRECTORATE	AUDIT COMMITTEE	26 JANUARY 2012	4

ANNUAL AUDIT LETTER – 2010/11

Public Item

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

Summary

To consider the contents of the Annual Audit Letter issued by the Council's Auditors, KPMG for 2010/11. The Audit Letter details the auditor's opinion on performance and financial management. The opinion of KPMG is also provided on the council's preparation of its financial statements. The report will be presented by KPMG.

Recommendation

That the Audit Committee are asked to note the content of the Audit Letter and are invited to make comments for referral to, and consideration by, the Cabinet.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance and Resources: Councillor Karen Buckley

Report

1. The Annual Audit letter is produced each year by the Council's external auditors and the judgements contained within it are based on inspection activity which has been undertaken during the year 2011/12 in relation to the 2010/11 accounts.
2. Detailed commentary is also provided within the letter about the external auditor's opinion on the Council's financial statements, including its accounts and compliance with International Financial Reporting Standards.

Continued....

3. A copy of the Annual Audit Letter for 2010/11 is attached.

IMPLICATIONS	
Finance	Implications are detailed within the body of the Letter.
Legal	Implications are detailed within the body of the Letter.
Community Safety	None arising directly from the report.
Human Rights and Equalities	None arising directly from the report.
Sustainability	None arising directly from the report.
Health & Safety and Risk Management	None arising directly from the report.

Report Author	Tel	Date	Doc ID
Tracy Scholes	01253 658521	6 Jan 2012	

List of Background Papers		
Name of document	Date	Where available for inspection
As attached		Town Hall or www.fylde.gov.uk

Attached documents

1. Annual Audit Letter 2010/11



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Annual Audit Letter 2010/11

Fylde Borough Council

25 November 2011

The contacts at KPMG in connection with this report are:

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Report sections

■ Headlines

Appendices

1. Key issues and recommendations

2. Summary of reports issued

3. Audit fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the appointed engagement lead to the Authority, who is also the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This report summarises the key findings from our 2010/11 audit of Fylde Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2010/11 financial statements and the 2010/11 VFM conclusion.

VFM conclusion	<p>We issued an unqualified value for money ('VFM') conclusion for 2010/11 on 22 September 2011.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 22 September 2011. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>This year's financial statements were the first to be prepared under International Financial Reporting Standards (IFRS). The Authority made good progress in moving from UK GAAP to IFRS. Like most local authorities, the Authority has prepared their financial statements, whilst under pressure from funding cuts introduced by the local government settlement announced in late 2010.</p> <p>We identified a small number of presentational and disclosure adjustments that have all been corrected by the Authority. These adjustments had no impact on the General Fund.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

We provide a summary of our key recommendations in Appendix 1.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

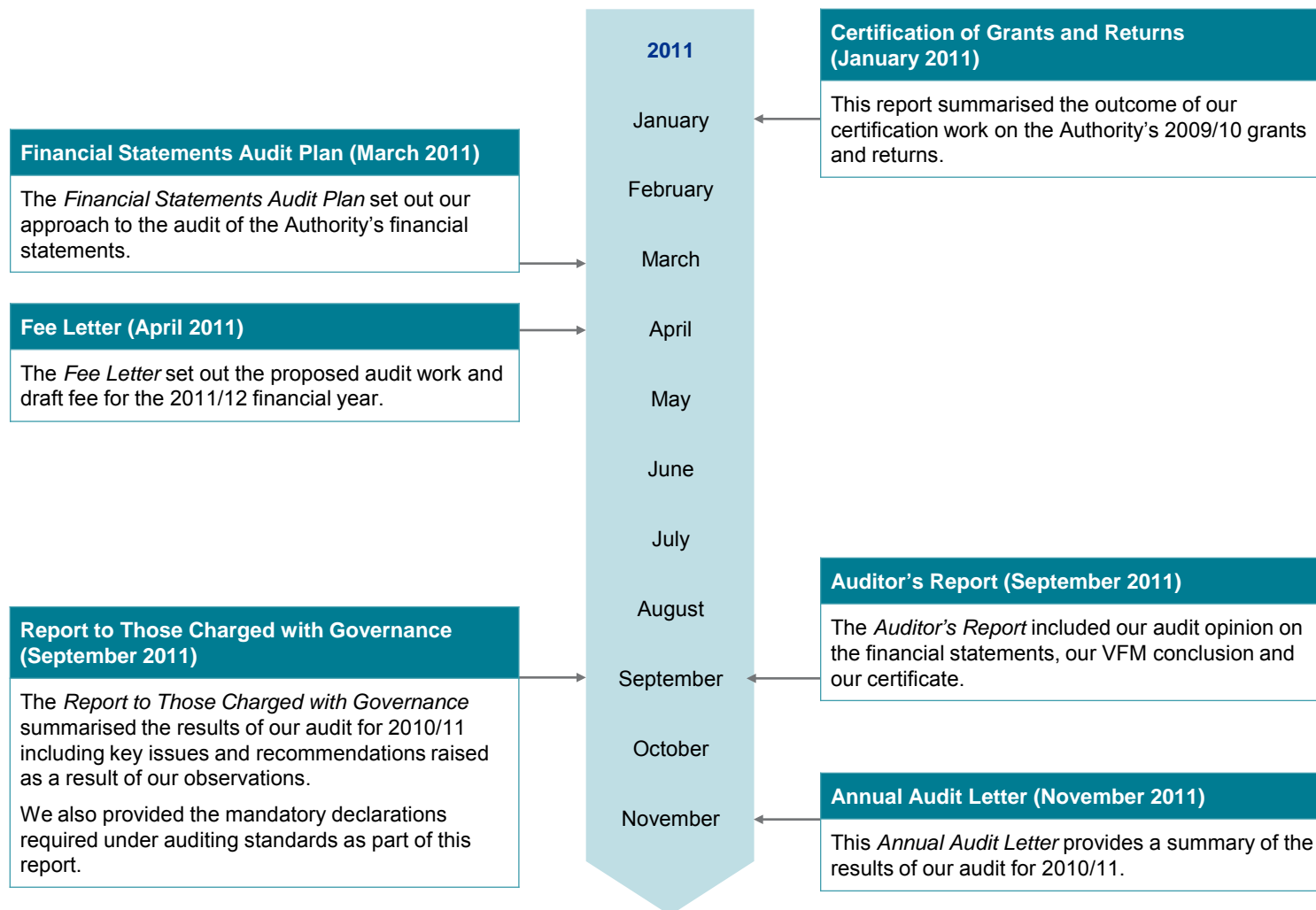
High priority recommendations	<p>We raised one high priority recommendation as a result of our 2010/11 work. This is detailed in Appendix 1, together with the action plan agreed by management. We will formally follow-up these recommendations as part of our 2011/12 audit work</p> <p>A summary of the recommendation is provided below:</p> <p><i>The Authority has a shared service arrangement in place with Blackpool Council for the provision of the revenues and benefits services. During 2010/11, the system used by Blackpool to administer the service was changed to Academy. The reporting capabilities of the new Academy system have thus far not met the requirements of the Authority. We recommend that the Authority continues to communicate clearly to Blackpool their reporting requirements and set agreed timescales in place for improvement.</i></p>
Certificate	<p>We issued our certificate on 22 September 2011.</p> <p>The certificate confirms that we have concluded the audit for 2010/11 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our external audit fee for 2010/11 is £110,000, excluding VAT. This is the same as the initial fee agreed in the high Annual Audit Plan for the year.</p> <p>Our fee for the certification of grants and returns is estimated to be £20,000. This will be finalised once the housing benefit BEN01 return has been completed and submitted at the end of November 2011.</p> <p>Further detail is contained in Appendix 3.</p>

This appendix summarises the high priority recommendations that we identified during our 2010/11 audit, along with your responses to them.

Medium and low priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

No.	Issue and recommendation	Management response/ responsible officer/ due date
1	<p>The Authority has a shared service arrangement in place with Blackpool Borough Council for the provision of the revenues and benefits services. During 2010/11, the system used by Blackpool to administer the service was changed to Academy.</p> <p>The reporting capabilities of the new Academy system have so far not met the requirements of the Authority. For example, the Authority have experienced issues around obtaining reports which reconcile to their general ledger, leading to variances at year end.</p> <p>We understand that the Authority are working closely with Blackpool in order to improve this situation for the coming year. We recommend that the Authority continue to communicate clearly to Blackpool their reporting requirements and set agreed timescales for improvement.</p>	<p>Agreed.</p> <p>The Authority's Finance Team is working with the Blackpool and Fylde Shared Service team to agree the frequency, format and details of all reports required from 2011/12 onwards.</p> <p>Agreement on the year-end reporting requirements will be reached between both parties prior to the 2011/12 year-end to ensure that year-end reporting requirements of the Authority are fully met.</p>

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for 2010/11.

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the outturn against the 2010/11 planned external audit fee.

External audit

Our final fee for the 2010/11 audit of the Authority was £110,000, excluding VAT. This is the same as the initial fee agreed in the high level audit strategy in April 2010.

Certification of grants and returns

Our fee for the certification of grants and returns is estimated at £20,000. This will be finalised once the housing benefit BEN01 grant has been submitted at the end of November 2011.

Elector challenge

We completed the response to the challenge raised in 2009/10. The fee of £23,725 was agreed with management and was based on the time incurred by the team and the Audit Commission's scale rates.



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REPORT

REPORT OF	MEETING	DATE	ITEM NO
STRATEGIC DEVELOPMENT SERVICES	AUDIT COMMITTEE	26 JANUARY 2012	5

SANDWINNING OPERATIONS

Public Item

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

Summary

At its meeting on 22 September 2011 the Committee was presented with a report updating members on matters associated with the sandwinning operation. The Committee resolved:

1. To note the Action Plan produced as a result of the audit and the measures now in place to mitigate the risks to the Council.
2. To request that the possible removal of sand without payment to the Council is investigated further, and the results reported back to the Committee in January.

The purpose of this report is to address the second resolution.

Recommendation

That the Committee notes the result of the investigation which is that there is no evidence that sand is being removed without payment to the Council.

Alternative options considered and rejected

N/A

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Portfolio Title: Planning

Councillor Name: Cllr. Dr. T. Fiddler

Report

1. Following the resolution of the Audit Committee “to request that the possible removal of sand without payment to the Council is investigated further, and the results reported back to the Committee in January”, the Principal Estates Surveyor has investigated the sighting of heavy goods vehicles laden with sand leaving the beach at Squires Gate.

2. Rainford’s have been asked whether they are aware of vehicles from the sandwinning operation leaving the beach at Squires Gate. They responded that under no circumstances does this happen.

2. Several visits to Squires Gate were made in September and October. There were no sightings of HGV’s and no HGV tyre tracks on the beach in this area. There were, however, numerous tracks of one or more smaller vehicles between Squires Gate and the sandwinning compound.

3. As it seemed likely that these tracks were made by the beach patrol vehicle, Paul McWilliams was spoken to. He confirmed that he regularly patrols the beach from Squires Gate and that the tracks were most likely from his vehicle. He stated that he has never seen sandwinning vehicles leaving the beach at Squires Gate. He was, however, aware that vehicles belonging to Greenwood’s Transport regularly collect and remove windblown sand from the compound of the Blackpool Light Craft Club at Squires Gate Lane.

4. As a result of his investigations the Principal Estates Surveyor has concluded that there is no evidence that sand is being removed without payment to the Council, and that the most likely explanation for the sighting of vehicles at Squires Gate Lane is the removal of sand from the Blackpool Light Craft Club compound.

Risk Assessment

There are no risks associated with this report

Report Author	Tel	Date	Doc ID
Gary Sams. Principal Estates Surveyor	(01253) 658462	9 January 2012	

List of Background Papers		
Name of document	Date	Where available for inspection
None		

Attached documents

IMPLICATIONS	
Finance	None arising directly from the report
Legal	None arising directly from the report
Community Safety	None arising directly from the report
Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
Health & Safety and Risk Management	None arising directly from the report

REPORT



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT COMMITTEE	26 JANUARY 2012	6

STRATEGIC RISK 2011-2012

Public Item

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

Summary

The report summarises the work undertaken in completing the Strategic Risk Actions contained in the 2011-2012 Risk Register

Recommendation

Recommendations

1. That the progress made on completing the Strategic Risk Actions for 2011-2012 be noted.
2. That any observations the committee have on the content of this report are passed to the Cabinet Portfolio Holder and /or the Strategic Risk Management Group

Reasons for recommendation

Report for information only

Alternative options considered and rejected

Report for information only.

Cabinet Portfolio

The item falls within the following Cabinet portfolio:
Finance and Resources Councillor K Buckley

Report

1 Background

1.1 In June 2011 the Risk Management Officer reported to the Audit Committee on the compilation of the 2011-2012 Risk Register. The purpose of the Register is to identify, analyse and prioritise those risks/opportunities that may affect the ability of the Council to achieve its corporate objectives in the financial year 2011-2012. It forms part of the Council's corporate governance requirement to manage its risk/opportunities. The risk register is renewed annually as part of the Council's Risk Management Strategy which was first adopted by the Council in 2003.

1.2 The strategy requires the Corporate Management Team to hold a risk workshop to prioritise the risk/opportunities each year. In 2011 five separate risk areas were identified at the initial risk workshop as requiring additional management and attention, over and above that which would normally be expected and these areas were formulated into individual action plans (**see table below**). Each action plan was assigned to a "champion" (a member of the corporate management team) who was responsible for the assignment of the individual tasks identified in the plan. The "champion" is responsible for ensuring that these actions are completed. A further two risk area were added to the register by the Strategic Risk Management Group with the support of the Corporate Management Team

Risk No.	Strategic Risk	Risk Champion
1	Financial 1	Dir. Governance & Partnerships
2	Partnerships	Chief Executive
3	FBC Solutions Ltd	Dir. Community Services
4	Accommodation	Dir. Strategic Development Services
5	Planning LDF	Dir. Strategic Development Services
6	Section 151 Arrangements	Chief Executive
7	Payroll Efficiencies	Chief Executive

2 Monitoring

2.1 Monitoring of the Action Plans is carried out by the Strategic Risk Management Group (SRMG). This group is chaired by the Director of Governance & Partnerships who has responsibility for Risk Management. The Cabinet Portfolio Holder is invited to the SRMG. In 2011/12 the Portfolio Holder was Cllr K Buckley. The group is also attended by all directorate heads, the Head of Internal Audit along with representatives of the Council's Insurers (Zurich Municipal) and Health & Safety providers (Blackpool Council) and the Council's Risk Management Officer.

2.2 In 2011 the Audit Committee endorsed a revision of the Strategic Risk Management Strategy which outlined that the SRMG should meet at least 4 times a year to monitor the completion of the Strategic Risk Action Plans and to make amendments to the plans as necessary.

2.3 The five action plans in the register adopted in June 2011 had 29 individual actions to be undertaken by assigned officers by certain key dates throughout the year. The two additional Risk Action Plans adopted by the SRMG during the year added a further 15 actions and a revision of Action Plan 5 after Cabinet in September 2011 removed 3 of the original actions and replaced these with 5 new actions. All the individual actions have been monitored by the SRMG throughout 2011.

2.4 The current position with regard to individual risk actions as at 31 December 2011, is as follows. Of the 19 risk actions due for completion by 31 December 2011, a total of 15 (79%) had been fully completed. Work on the remaining 4 risk actions due for completion by 31 December 2011, was ongoing (3 relate to the accommodation project and the remaining action is in respect of the LDF. Nine actions included in the original risk register are no longer applicable, these relate to the Joint Management arrangements with Preston City Council, (2 actions), the setting up of FBC Solutions Ltd. (4 actions) and Planning/LDF (3 actions).

Risk Action Plan	Risk Action / Completion Date	Reason for delay & new completion date
RMAP 1 Financial	Achieve savings by the disposal of the Wesham site Due for completion Oct 11	Revised completion date June 12 Slippage due to delays in evaluating the bids and negotiations with the developers
RMAP 4 Accommodation	Complete agreements for sale of Derby Rd and St Davids Rd Due for completion Dec 11	Draft agreements under consideration by purchasers
RMAP 4 Accommodation	Works tendered and contractor appointed (Town Hall refurbishment) Due for completion Oct 11	Tendering on hold by Accommodation Project Group pending progress being made on the disposal of sites.
RMAP 5 Planning LDF	Completion of subject papers drawing out issues and identifying options for dealing with them plus Area Profiling Due for completion Dec 11	Work 50% completed. Revised completion date Mar 12

Risk Assessment

This item is for information only and makes no active recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	14/01/12	

List of Background Papers		
Name of document	Date	Where available for inspection

Risk Register 2011-2012	June 2011	Risk Management Officers office by arrangement
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IMPLICATIONS	
Finance	The Accounts and Audit Regulations require the Council to ensure that its financial management is adequate and effective and includes arrangements for the management of risk.
Legal	The Council is required to make arrangements for the management of risk as part of its corporate governance arrangements
Community Safety	None arising directly from the report
Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
Health & Safety and Risk Management	The satisfactory completion of the action plans is essential to reducing the Strategic Risks facing the Council and assists in fulfilling the requirements of the Accounts Regulations and Corporate Governance requirements

REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTORATE OF RESOURCES – DEMOCRATIC SERVICES	AUDIT COMMITTEE	26 JANUARY 2012	7

SALE OF CLIFTON (LYTHAM) HOUSING ASSOCIATION – RECOMMENDATIONS FOR CONSIDERATION

Public Item

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

Summary

The recommendations of the Task & Finish Group appointed to look into the processes and procedures surrounding the sale of Clifton (Lytham) Housing Association Ltd, endorsed by the Community Focus Scrutiny Committee, were considered by council on 28 November 2011. It was proposed that the recommendations be agreed, including an additional recommendation put forward at the council meeting, subject to their impact on the council's Constitution being referred for consideration by the Audit Committee at its January meeting.

Recommendation

The Audit Committee is asked to review the recommendations of the Task & Finish Group, and the additional recommendation proposed by Cllr Duffy, as endorsed by council on 28 November 2011.

Reasons for recommendation

Some of the recommendations may have an impact on the council's Constitution. It is within the remit of the Audit Committee to maintain an overview of the council's Constitution and to advise the council on any changes to it.

Alternative options considered and rejected

None, as this is a referral from council.

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Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Resources – Councillor Karen Buckley.

Report

The report from the Task and Finish Group was debated by the Community Focus Scrutiny Committee at its meeting on 8 November 2011. The committee resolved to send its recommendations for consideration to the council meeting on 28 November 2011.

Council, having considered the report of the Community Focus Scrutiny Committee, agreed the recommendations of the committee, including the additional recommendation proposed by Councillor Duffy during the course of the council debate, and referred them to the Audit Committee for further consideration of their impact on the council's Constitution.

The recommendations are reproduced below:

1. That competencies and a skills-set should be established for councillors who will represent the council as Board members on outside bodies, or arms-length organisations; and that councillors should be required to demonstrate how they meet those competencies and skills-set before they can be appointed.

(Please note that the Member Development Group is currently considering a framework by which the above recommendation may be achieved.)

2. That in future scrutiny should be involved at all stages of any similar sale or acquisition, especially one that falls outside of the existing land transaction procedure rules.
3. That in future, any public consultation should fit with the requirements of the Community Engagement Strategy, which ensures that any affected body or person is fully aware of the issues affecting them; and that they should have a realistic timeframe in which to respond; and that the consulting body, whether it is the council or an organisation with which the council is closely associated, is clearly shown to have taken those views into account in reaching a decision.
4. That major decisions taken by decision-making bodies of the council, or of bodies with councillors as voting Board members, should reveal within the minutes of their meetings the rationale for the decision.
5. That any councillor or Cabinet Member appointed to the Board of an outside body or arms-length organisation should have regard to their dual role and maintain a separation of interest where appropriate; that they should report in the first place not to Cabinet or the ruling group, but to scrutiny.
6. There exists a clearly stated obligation, agreed by council, for councillors appointed to outside bodies for reporting back; the T&F Group recommends:

- (a) that this should be strengthened to ensure reporting back within clearly defined guidelines and timeframes to an appropriate scrutiny committee;
 - (b) that relevant minutes should be attached to the report;
 - (c) that where there is an official of the council taking minutes there should be a minimum required standard and format; and
 - (d) that the Head of Governance should have responsibility for making sure the above requirements are delivered.
7. That there should be a change to the Constitution which gives the council's Monitoring Officer a primary and proactive role in advising the mayor at council meetings on constitutional issues; and that the Monitoring Officer should assume a more proactive role in advising all councillors in their rights and responsibilities relative to the governance of the council.
 8. That the council strengthens its decision-making process to ensure that to ensure that councillors of all political persuasions have parity in terms of access to information and officer advice, and that an external agency be invited to facilitate it, at the earliest opportunity.
 9. That Portfolio Holders should take all reasonable steps to ensure that they are in full possession of all relevant facts, before taking individual Portfolio Holder Decisions; that adequate timescales are in place to allow Portfolio Holders to research their topic, discuss with officers or other suitably experienced persons, and have time to reach a decision.
 10. When the council or any arms-length organisation associated closely with the council is engaging outside consultants, their role must be clearly defined stating the criteria and objectives of the engagement to remove any ambiguity or potential for misunderstanding of the task.

The additional recommendation proposed by Cllr Duffy and endorsed by council is as follows:

11. Any councillor who quotes from a written document during a Council debate in order to strengthen their case, should have taken all reasonable steps to verify the accuracy and provenance of that document and should, on request, make it available for scrutiny by any other councillor during that debate and for a period of one month thereafter.

Members should note that Mr Mark Towers (Blackpool Council's Monitoring Officer), has been commissioned to undertake a piece of work to evaluate Fylde Borough Council's Constitution in the round.

Within that commission he is instructed to take cognisance of the body of the report, emanating from the review of the processes and procedures which resulted in the sale of Clifton (Lytham) Housing Association, and the recommendations above.

His intention is to present his findings to the Audit Committee at its March meeting. Mr Towers will be working with Tracy Scholes, Director of Resources, in carrying out this work.

Report Author	Tel	Date	Doc ID
Tracy Scholes	(01253) 658521	6 January 2012	

List of Background Papers		
Name of document	Date	Where available for inspection
Report of the Task & Finish Group	8 Nov 2011	FBC website (Agenda of CFSC)
Minutes of the Community Focus Scrutiny Committee	8 Nov 2011	FBC website
Minutes of the Council meeting	28 Nov 2011	FBC website

Attached documents

None

IMPLICATIONS	
Finance	
Legal	
Community Safety	N/A
Human Rights and Equalities	N/A
Sustainability and Environmental Impact	N/A
Health & Safety and Risk Management	N/A

REPORT



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT COMMITTEE	26 JAN 2012	8

REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS

Public/Exempt item

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

Summary

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to September 2011, there was one authorised operation. In the quarter to December 2011 there were none.

Recommendation/s

1. Note the information in the report.

Cabinet portfolio

The item falls within the following cabinet portfolio[s]: Finance & resources: (Councillor Karen Buckley).

Report

The RIPA framework

1. The Regulation of Investigatory Powers Act 2000 ("RIPA") regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.

Continued....

2. Fylde Borough Council is therefore included within RIPA framework with regard to the authorisation of both directed surveillance and of the use of covert human intelligence sources.
3. Directed surveillance includes the covert surveillance of an individual in circumstances where private information about that individual may be obtained. A covert human intelligence source ("CHIS") is a person who, pretending to be someone that they are not, builds up a relationship of trust with another person for the purpose of obtaining information as part of an investigation.
4. Directed surveillance or use of a CHIS must be authorised by the chief executive or a director. All authorisations are recorded centrally by the Head of Governance.
5. Regulations under RIPA require councillors to consider a report on the use of RIPA at least quarterly.
6. This is the required quarterly report on the use of RIPA. The information in the table below is about authorisations granted by the council during the quarters concerned.

Quarter	Directed surveillance	CHIS	Total	Purpose
Jul- Sep 2011	1	0	1	Preventing or detecting crime: Benefit fraud
Oct – Dec 2011	0	0	0	

IMPLICATIONS	
Finance	No direct financial implications. This work will be delivered within existing revenue budget resources.
Legal	<p>The report is for the information of councillors and is produced to comply with the council's obligations under the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010.</p> <p>The council is only able to authorise surveillance under RIPA if it is for the purpose of preventing or detecting crime or preventing disorder.</p>
Community Safety	An authorising officer should consider any community safety issues among the other relevant factors in deciding whether to authorise surveillance.
Human Rights and Equalities	None arising directly from this report.
Sustainability	None arising directly from this report.

Health & Safety and Risk Management	None arising directly from this report.
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REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	10 January 2012	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
None		

REPORT

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	AUDIT COMMITTEE	26 JAN 2012	9

CORPORATE GOVERNANCE IMPROVEMENT PLAN 2011/12

Public Item

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

Summary

The Audit Committee is charged with adopting the Annual Governance Statement and monitoring the progress in fulfilling the Corporate Governance Improvement Plan. At the last meeting of the Committee on 22 September 2011, a further progress report on the 2011/12 Improvement Plan was requested.

Recommendation

1. The Committee notes the latest position with regard to each of the issues included on the Corporate Governance Improvement Plan 2011/12.

Reasons for recommendation

The report indicates the current situation

Alternative options considered and rejected

This report is for information and comment only

Cabinet Portfolio

Finance & Resources

Councillor Karen Buckley

Report

1. The Annual Governance Statement for the year ended 31 March 2011, together with its associated improvement actions, was adopted by the Committee at its meeting on 23 June 2011. The responsibility for keeping the Corporate Governance Improvement Plan under review falls to the Audit Committee.
2. This further interim report was requested by the committee at its last meeting on 22 September 2011. It reveals the progress made so far in implementing the various actions to achieve improved corporate governance during 2011/12 and indicates areas where agreed actions have yet to be completed.
3. The 2011/12 Improvement Plan includes 8 actions to secure improved corporate governance and the current status (including target dates) as advised by the responsible managers is as set out in Appendix 1.
4. Progress monitoring will continue and a follow up of the all the improvements included in the plan will be undertaken once the final implementation date has passed. A further report will be prepared to indicate the revised position.

Risk Assessment

This item is for information only and makes no recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Lyndsey Lacey and Ian Curtis	(01253) 658504 (01253) 658506	12 January 2012	5/9/11

List of Background Papers		
Name of document	Date	Where available for inspection
Delivering Good Governance in Local Government	2007	Town Hall, St Annes

Code of Corporate Governance	April 3 2008	Town Hall, St Annes or www.fylde.gov.uk/council-and-democracy/governance-and-control
Annual Governance Statement 2011	2011	Town Hall, St Annes or www.fylde.gov.uk/council-and-democracy/governance-and-control

Attached documents

1. Corporate Governance Improvement Plan 2011/12.

IMPLICATIONS	
Finance	Good governance ensures development of the capacity and capability of the Council to be financially effective and efficient
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	Good governance encourages informed and transparent decisions which are subject to effective risk management

Corporate Governance Improvement Plan 2011/12

SIGNIFICANT GOVERNANCE ISSUES		AGREED IMPROVEMENT PLAN			
Objective	Actions	Officer	Date	Status	Comment
AGS 1. The development of corporate purchasing arrangements will be finalised with the roll out of the Civica purchasing module on an authority-wide basis.	1. Develop an effective plan and timetable for the roll-out of the Civica purchasing module for use across the whole Council	POD	Jun 11	Complete	An effective project management framework has been developed and approved by Management Team
	2. Complete roll-out process, including staff training, such that Civica purchasing module is operational on an authority-wide basis	POD	Mar 11 Dec 11	Complete	*B/f from 2010/11 Improvement Plan Electronic purchasing rolled out and in use by all Directorates (Dec 2011)
AGS 2. 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.	3. Develop and deliver a targeted programme of data protection training to all relevant staff	IC	Mar 11 Mar 12	In progress	*B/f from 2010/11 Improvement Plan Training material developed
	4. Review and refresh the Council's Data Protection Policy to reflect best practice	IC	Dec 11	Complete	Data Assurance Policy developed adopted by Cabinet.
AGS 3. 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.	5. Develop and deliver a targeted programme of equalities training and guidance for all staff	AO	Mar 12	In progress	Equalities monitoring questionnaire has been agreed with HR and will be sent to unions for approval prior to distribution in March 2012. Online equalities monitoring learning pool will be launched in April 2012 and guidance published on the intranet, in Grapevine and through Team Briefs from April 2012.
AGS 4. Procurement arrangements will be enhanced further to achieve best value and effective use of resources.	6. Liaise directly with Heads of Service to determine where procurement resources should be focused to secure their most effective use, and to inform and validate the strategy	IC	Oct 11	Complete	Exercise completed and being used to inform and validate the procurement strategy
	7. Develop and upgrade the procurement strategy to achieve best value and effective use of resources taking account of Action 6 (above) and subject to review by scrutiny with recommendations to Cabinet	IC	Mar 11 Mar 12	In progress	*B/f from 2010/11 Improvement Plan Adopted 'The Chest' e-procurement solution Contract Standing Orders have been revised to require the use of electronic purchasing system Training delivered to senior managers on contract procurement and management
AGS 5. 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	8. Review and refresh the Business Continuity arrangements to ensure that contingency plans remain robust	TS/MT	Mar 12	In progress	Detailed Action Plan agreed by Strategic RM Group

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	26/01/2012	10

INTERNAL AUDIT INTERIM REPORT 2011-2012

Public Item

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

Summary

At its meeting in March 2011 the committee endorsed the Internal Audit Annual Plan for 2011/12. This report summarises the work undertaken by internal audit from April to December 2011 and performance information for the same period.

Recommendations

To note the Internal Audit Interim Report

Reasons for recommendation

The report is principally informative and provided for the purpose of assurance. It presents an update on the progress made during the year and allows members to consider the work undertaken by the internal audit team.

Alternative options considered and rejected

Not applicable

Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance & Resources (Councillor Karen Buckley)

Continued....

Report

1. Background

The Accounts and Audit Regulations require the Council to maintain an adequate and effective internal audit of its accounting records and control systems. This report provides the Audit Committee with information on work undertaken and assurances gained in these respects between April and December 2011.

2. Assurance on Internal Control

2.1 During the period from April to December 2011 seventeen (17) action plans have been issued and agreed where appropriate. Copies of the reports and action plans are available to view via the Audit Work page on the Intranet.

2.2 In the action plans arising from audit work we categorise recommendations as high, medium or low priority. High indicates a significant control weakness that may lead to material loss, exposure to fraud or failure to meet regulatory requirements. Medium suggests a less important vulnerability not fundamental to system integrity. Low priorities relate to good practice improvements or enhancements to procedures.

2.3 We also measure the overall level of assurance, where appropriate, based on the adequacy and effectiveness of internal control in a system on a five-point scale. Table One sets out the assurance levels and definitions as follows:

Table One: Levels of Assurance

Level	Definition
5 Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
4 Substantial Assurance	While there is basically a sound system of control, there are some minor weaknesses, which put some of the system objectives at risk
3 Moderate Assurance	While there is on the whole a sound system of control, there are some more significant weaknesses that may put some of the system objectives at risk
2 Limited Assurance	There are significant/serious weaknesses in key areas in the systems of control that put the system objectives at risk
1 No Assurance	The control framework is generally weak leaving the system open to significant error or abuse

2.4 Table Two shows the category of recommendations identified for each audit completed in the period, together with the assurance rating for the system reviewed.

Table Two: Reports, Risk & Assurance

Audit Area	High Risks	Medium Risks	Low Risks	Assurance Level
Risk Management ¹	-	8	4	Moderate

Housing & Council Tax Benefits ¹	-	6	1	Substantial
Housing Benefits GCSx ²	-	1	-	-
Penetration Testing ³	-	-	1	-
Cash Collection (Central)	-	1	2	Full
Cash Collection (Remote) ²	-	2	1	-
Treasury Management	-	-	2	Full
Bribery Act (Governance) ⁴	-	1	2	-
Bribery Act (Contracts) ⁴	-	1	2	-
Bribery Act (Payroll) ⁴	-	-	1	-
Bribery Act (Anti-Fraud) ⁴	-	1	3	-
Car Parking	3	12	5	Moderate
Cheque Production (Main)	1	4	4	Substantial ⁵
Cheque Production (Stock) ²	-	-	1	-
Forensic Readiness	1	-	-	-
Cemetery & Crematorium	-	4	4	Substantial
Main Accounting	-	1	1	Substantial
Total	5	42	34	

¹ Reviews from 2010/11 finalised in 2011/12

² Additional/Subsidiary action plan

³ Review performed externally

⁴ Risk assessment against standard

⁵ Assurance rating increased by one level

2.5 For 2011/12 systems reviewed by Internal Audit to 31st December the average assurance score was 3.8 on the scale of 1 to 5. This equates to substantial assurance overall and indicates that the control framework is sound but some weaknesses may put system objectives at risk. Main financial systems reviewed to date had a better average score of 4.2, also the equivalent of substantial assurance.

2.6 There were five important internal control weaknesses brought to the attention of management during the period and two brought forward from the previous year, one of these is completed and one is still ongoing. Dates for remedial actions to be in place have been agreed with management.

2.7 Table Three sets out the issues, the responsible executive managers and the current position or date for resolution.

Table Three: High Priority Risks Identified

Risk	Director	Resolution Date
An action plan should be developed to address areas of data security weakness that may be identified	Corporate	May 11 Sep 11 ¹
Annual system upgrades and bug fixes were not carried out as required by contract terms	Customer & Operational Services	Complete
The current service charges and a signed contract for car park machine maintenance will be sought and retained	Strategic Development	Mar 12
Arrangements for car park cash collection and ticketing will be formalised in a signed contract and retained	Strategic Development	Mar 12
Arrangements for penalty notice administration will be	Strategic Development	Mar 12

reviewed and updated in a signed contract and retained

Information about cancelled cheques will be transmitted by secure means to the Shared Revenues & Benefits Service

Governance & Partnerships

Completed

Develop and adopt a Forensic Readiness Policy as part of the Council's information governance arrangements

Governance & Partnerships

Jan 12

¹ Implementation in progress

3 Follow-Up Work

3.1 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Eighteen (18) follow-up reviews have been completed to 31 December.

3.2 Table Four shows the total number of agreed recommendations that were implemented by managers.

Table Four: 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
Previous Years' Reports			
IT Code of Connection	9	8	89%
Business Rates	3	3	100%
Sundry Debtors	4	4	100%
IT Applications Review	2	2	100%
Contracts & Tendering (Finance)	1	1	100%
Contracts & Tendering (Governance)	15	8	53%
Fraud Awareness	4	2	50%
Trade Waste	18	10	56%
Anti-Fraud & Corruption	6	6	100%
Payroll (HR)	12	12	100%
Sandwinning	6	4	67%
Dog Kennelling	15	15	100%
Payroll (Members)	1	1	100%
Asset Management	10	9	90%
Election Payments (Borough)	6	6	100%
2011/12 Reports			
Cash Collection (Central)	3	3	100%
Housing Benefits GCSx	1	1	100%
Cheque Production (Stock)	1	1	100%
Total	117	96	82%

3.3 The overall implementation rate to 31 December stands at 82% compared to the best overall implementation of 95% for 2010/11. The 5-year average rate for overall implementation stands at 82%, which is equivalent to the current position.

4 Special Investigations and Counter Fraud Work

4.1 During the year to the 31st December the audit team commenced two special investigations into allegations of fraud and corruption. The first arose as a result of information received from a member of the public. The investigation resulted in disciplinary action against the employee concerned. The second investigation was ended when the allegation made was not supported by any evidence. The responsible Director was made aware of the issue raised.

4.2 Table Five summarises the results of the various special investigations during April to December compared with the outturn for previous years.

Table Five: Results of Special Investigations

Outcome	2007-08	2008-09	2009-10	2010-11	2011-2012 Apr-Dec
Disciplinary action	4	3	-	-	1
Employee Resigned prior to conclusion	1	-	-	-	-
No evidence to support allegation	1	-	1	-	-
Inconclusive evidence	1	-	-	-	-
Investigation aborted	1	-	-	1	1
Police investigation, inconclusive	-	-	-	-	-
Standards Board referral, no action	-	-	-	-	-
Investigation Ongoing	-	-	-	-	-
Total	8	3	1	1	2

4.3 In addition to the two investigations undertaken to date in 2011/12 by the audit team, the Head of Internal Audit assisted the Council's external auditors in connection with elector questions relating to tendering procedures. This lengthy exercise commenced in 2010/11 and continued into the current year.

4.4 Only 7 days have been taken up dealing with reactive fraud work during the period 1st April to the 31st December 2011. The amount of investigative work required is not predictable although its impact on the achievement of the audit plan has not been significant in recent years.

4.5 Internal audit has acted as key contact for the National Fraud Initiative biennial data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and electoral register information for the data matching exercise. Savings generated from the previous exercise totalled £53,000 most of which will be ongoing in future years.

4.6 The Head of Internal Audit is responsible for overseeing the delivery of the benefit fraud service provided by Preston City Council. The service has recently been recognised by the IRRV (Institute of Revenues, Rating and Valuation) as an exemplar of partnership working and was awarded the Institute's Gold Award.

4.7 The agreed Benefit Fraud Service Level Agreement is operating well with all performance measures exceeded. In the first three quarters of the year overpayments of £208,000 have been identified against the annual target of £120,000 with 40 prosecutions and sanctions against a target of 38.

4.8 There has been no employee whistleblowing during the current year to date.

5 Projects, Consultancy & Advice

5.1 This section summarises the range of services, beyond internal audit's assurance role. Such work may be requested by clients, rather than forming part of the risk-based audit function. Commonly, the task involves problem-solving issues as an aid to management for the enhancement of their service. The nature and scope of the work may include participation in projects, facilitation, process design, training, surveys and advisory services, but this list is not exhaustive

5.2 In the period to 31st December internal audit has undertaken project work, provided advice or acted in a consultancy capacity in the following areas, which is not an exhaustive list:

- Corporate Governance - as part of the governance framework the Head of Internal Audit is a member of the Corporate Governance Group, which leads on the production of the Annual Governance Statement and the monitoring of the Corporate Governance Improvement Plan.
- Lowther Trust - assisted in the development of the proposed agreement between the Council and the Trust with regard to financial and other associated matters
- Forensic Readiness - prepared a draft policy for adoption to facilitate the collection, preservation, protection and analysis of digital evidence so that it can be effectively used in any legal, employment or disciplinary matters
- Bribery Act 2010 – reviewed current arrangements to ensure 'adequate procedures' were in place to prevent bribery and identified certain enhancements to the Council's anti-fraud arrangements which have been brought together in an action plan
- Strategic Risk Management - the annual exercise is currently in progress to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involves interviewing members of Management Team and senior councillors and facilitating a risk management day in conjunction with the Risk Management Officer
- National Fraud Survey 2011 - completed the latest Audit Commission fraud survey of over 450 public bodies about a wide range of fraud and corruption issues
- Business Process Re-engineering – two internal auditors are trained members of the BPR Group and have contributed to several projects to raise the efficiency and effectiveness of Council operations within the context of a robust control framework

6 Performance of Internal Audit

6.1 A set of performance indicators for internal audit was adopted by the Audit Committee in 2009 following an exercise to canvass the views of interested stakeholders. Table Six sets out the current performance information against the agreed targets:

Table Six: Performance Indicator Results

Performance Indicator	Target	Actual 2010/11	Current to 31/12/11
IA1 % of audit plan completed	90%	96.4%	68.4%
IA2 % satisfaction rating indicated by post-audit surveys	90%	88.2%	95.1%

IA3 % of audit recommendations agreed with management	95%	98.6%	100%
IA4 % of agreed actions implemented by management	90%	94.9%	82.1%
IA5 % of 'High Priority' actions implemented by management	100%	100%	100%
IA6 % of 'High/Medium Priority' actions implemented by management	95%	93.1%	82.4%
IA7 % of recommendations implemented by the first agreed date	75%	81.8%	69.1%

6.2 The first two performance indicators reflect specifically on the work and service of the internal audit team. The remaining indicators relate to the effectiveness of the audit service as a result of management's action or inaction.

7 Internal Audit Plan

7.1 The original Audit Plan was approved by the Audit Committee in March 2011 and reflected the prevailing organisational risks and priorities for Internal Audit input at that time. Table Seven summarises the current position with each of audit reviews included in the plan and the number of days to complete them.

Table Seven: Internal Audit Plan 2011/12 at 31 December 2011

Audit Areas	Qtr	Plan Days	Actual Days	Bal	Status
Main Financial Systems					
Cash Collection	2	23	27	-4	Complete
Council Tax FCAT	VAR	25	12	13	Work in Progress
Housing & Council Tax Benefits ¹	1	13	17	-4	Complete
Main Accounting	3	19	21	-2	Complete
Payroll ¹	1	3	1	2	Complete
Treasury Management	2	18	22	-4	Complete
Follow Up Work (5)	VAR	10	8	2	Ongoing
Strategic Risks					
Procurement (via the Chest)	4	18	0	18	To commence Q4
Purchasing	4	20	0	20	To commence Q4
Follow Up Work (2)	VAR	4	5	-1	Ongoing
Operational Risks					
Annual Leave & Flexitime ¹	1	6	7	-1	Complete
Car Parking	2	18	32	-14	Complete
Cemetery & Crematorium	3	18	26	-8	Complete
Cheque Production & Security	2	12	10	2	Complete
FMS - Fuel Management & Payments	4	18	2	16	Work in Progress
Mayoral Charity ¹	1	3	3	0	Complete
Private Sector Housing Grants	3	18	14	4	Work in Progress
Follow Up Work (7)	VAR	11	8	3	Ongoing
Corporate Governance					
Annual Governance Statement	ALL	8	10	-2	Ongoing
Audit Committee - Effectiveness	1	2	1	1	Complete
Internal Audit - Effectiveness	2	2	2	0	Complete
Risk Management ¹	1	6	9	-3	Complete
Follow Up Work (1)	4	2	0	2	Work in Progress
Computer Audit					
ICT Audit	ANY	8	1	7	Postponed to 12/13
Follow Up Work (6)	VAR	10	8	2	Ongoing
Anti- Fraud					

Fraud & Corruption Modules (3)	VAR	12	7	5	Ongoing
National Fraud Initiative	ALL	9	13	-4	Ongoing
Fraud Awareness Survey	3	14	1	13	Complete
Prevention of Fraud & Corruption	4	3	0	3	To commence Q4
Follow Up Work (2)	VAR	2	1	1	Complete

Other Audit Work

Authorisation Schedules	ALL	5	3	2	Ongoing
Cancelled/Replacement Cheques	ALL	12	8	4	Ongoing

Reactive Work

General Consultancy/Advice	ALL	25	25	0	Ongoing
IA Communication/Liaison	ALL	26	14	12	Ongoing
Contingency	ANY	75	37	38	Ongoing

Total		478	355	123	
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¹ Slippage from 10/11 finalised in 11/12

7.2 The percentage of the 2011/12 audit plan completed to 31st December was 68.4%, suggesting that the 90% target for the year will be achieved.

Risk Assessment

This item is for information only and makes no active recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	26/01/12

List of Background Papers		
Name of document	Date	Where available for inspection
Audit Plan 2011/12	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

IMPLICATIONS	
Finance	<p>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.</p> <p>The report also contributes towards the production of the Annual Governance Statement which forms part of the Financial Statements of the Annual Accounts published each year by the Council.</p>

Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Interim Internal Audit report arises from that work and is an important element of the assurance process for the effectiveness of the Council's systems of internal control.

REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	26/01/12	11

EFFECTIVENESS OF INTERNAL AUDIT

Public Item

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

Summary

The internal audit function is considered to be a key indicator in providing assurance on internal control. A review of internal audit effectiveness is required as part of satisfying the overall governance arrangements in local authorities and supports the Council's Annual Governance Statement. The report presents the findings of a review by external audit on the effectiveness of internal audit against the criteria set out in the Code of Practice for Internal Audit.

Recommendations

1. The Committee notes the findings of the external audit review on the effectiveness of internal audit and confirms the conclusion that there is compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Reasons for recommendation

Adherence to Code of Practice for Internal Audit in Local Government 2006 is mandatory and the review of effectiveness permits any divergence from the standard to be highlighted and addressed.

Alternative options considered and rejected

No other course of action is advocated.

Cabinet Portfolio

Finance & Resources

Councillor Karen Buckley

Continued....

Report

1 Introduction

1.1 The Accounts and Audit Regulations 2006 state that each local authority “shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit”. The regulations go on to state that the findings of this review should be considered by a committee of the relevant body as part of the wider consideration of the Council’s system of internal control.

1.2 Internal audit is one of the key areas of assurance for the Audit Committee and therefore has a significant impact on the Council’s Annual Governance Statement. It is important that the Audit Committee can be assured that Internal Audit itself is effective.

1.3 The regulations and guidance relating to the assessment of the system of internal audit allow for different methods of review. The expected understanding is that reviews of internal audit by external audit will take place triennially. In other years the spirit of the regulations points to an independent review conducted externally where possible. However, this needs to be balanced against the practicalities either in terms of cost or the resources required to undertake a reciprocal external review each year.

1.4 Therefore, the following approach has been adopted for each three year period:

Year 1 – Assessment by external audit

Year 2 – Self assessment via the checklist with independent evaluation

Year 3 - “Light touch” approach – review checklist and the completion of any actions outstanding from the previous reviews

1.5 It is considered that Year 1 of this cycle has now been reached and consequently an assessment by KPMG, our external auditors, has been carried out.

2 Findings of the Current Review of Internal Audit Effectiveness

2.1 The CIPFA Code of Practice for Internal Audit checklist was completed during Year 2 of the review cycle, indicating substantial compliance with the Code. A reciprocal arrangement with the Audit Manager of Wyre BC was entered into, whereby each Council’s self assessment exercise was subject to independent external evaluation.

2.2 The Code of Practice contains eleven standards as follows:

- ♦ Scope of Internal Audit
- ♦ Independence
- ♦ Ethics for Internal Auditors
- ♦ Audit Committees
- ♦ Relationships
- ♦ Staffing, Training and Development
- ♦ Audit Strategy and Planning
- ♦ Undertaking Audit Work
- ♦ Due professional care
- ♦ Reporting
- ♦ Performance, Quality and Effectiveness

Standard 1 - Scope of internal audit

The overall scope of Internal Audit should be formally defined by the organisation in terms of reference consistent with the CIPFA Code. The Internal Audit Terms of Reference was found to meet all the requirements of the Code.

Standard 2 - Independence

The CIPFA Code states that Internal Audit should be independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Furthermore it stresses that internal auditors should not have any operational responsibilities.

The Head of Internal Audit has indirect managerial responsibility for the Insurance and Risk Management function and also acts as liaison officer for the Benefit Fraud shared service. It was considered that by the nature of these functions there was no adverse impact on the independence of Internal Audit. It was decided that the arrangements in place ensured the independence of the audit team complied with the Code.

Standard 3 - Ethics for internal auditors

The Code sets the minimum standards for the performance and conduct of all internal auditors. It requires all internal audit staff to comply with ethical codes issued by professional institutes of which they are members or student members and any organisational codes of ethics or conduct.

The review concluded that Internal Audit generally complies with this standard. The Head of Internal Audit ensures that auditors are regularly reminded of their ethical responsibilities and that the principles of integrity, objectivity, competence and confidentiality are upheld. This was evidenced through the completion of declarations of adherence to the Internal Audit Code of Ethics and the Employees Code of Conduct.

The only possible issue was the inability to rotate audit staff between jobs to ensure they cover different areas on an annual basis. The smallness of audit team makes this impractical.

Standard 4 - Audit Committee

The review concluded that Internal Audit complies fully with the standard. In particular Internal Audit maintains an effective working relationship with the Audit Committee, and the Audit Committee approves both the audit strategy and annual plan and monitors progress against them.

Standard 5 - Relationships

Internal Audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the audit function, its reputation and independence. The initial review indicated that joint working on shared services with other internal audit teams had not been investigated. Also internal and external audit plans were not shared at draft stage. The following actions were recommended.

Action Plan:

- | |
|--|
| R1. Explore the possibility of a joint approach to aspects of audit work in relation to services currently shared with other local authorities |
| R2. Share draft plan proposals with external audit to assist with co-ordination |

Joint working on shared services with other internal audit teams now operates effectively and the Internal Audit Plan is shared with external audit.

Standard 6 – Staffing, Training and Development

For staffing, the CIPFA code stresses that Internal Audit should be appropriately resourced to meet its objectives and have appropriate numbers of staff in terms of grades, qualifications, personal attributes and experience or have access to appropriate resources in order to meet its objectives and to comply with these standards. The review found that Internal Audit complies with the standard.

Standard 7 – Audit Strategy and Planning

The CIPFA code indicates that the Internal Audit Manager must produce an audit strategy which sets out at a high-level how the internal audit service will be delivered and developed in

accordance with the terms of reference and how it links to the organisational objectives and priorities. The Internal Audit Strategy meets the requirement of the standard.

The Code requires the Head of Internal Audit to prepare a risk-based audit plan designed to implement the audit strategy. The review concluded that Internal Audit had met this part of the standard. The peer review by Wyre BC head of Internal Audit suggested one improvement:

Action Plan:

R13. Carry out planning meetings with managers to determine which audits are to be conducted each quarter

Managers are now consulted before the start of the year on timing and audits allocated to each quarter accordingly.

Standard 8 – Undertaking Audit Work

The Code sets out the requirements for the planning, approach and recording of audit assignments. The review found that the undertaking of internal audit work met the requirements of the Code. However, two improvements were possible.

Action Plan:

R3. Update the Audit Procedure Manual to reflect the practice whereby management is informed of interim findings where serious issues have arisen

R4. Include an access policy for audit files and records in the Audit Procedure Manual

The Audit Procedure Manual has been updated to reflect the above practices, which are now fully operational.

Standard 9 – Due Professional Care

Due professional care is defined within the Code as working with competence and diligence; the use of audit skills, knowledge and judgement based on appropriate experience, training, ability, integrity and objectivity; and respecting and understanding confidentiality. The review found that Internal Audit had complied with this standard.

Standard 10 – Reporting

The Code states that the primary purpose of Internal Audit reporting is to communicate to management information that provides an independent and objective opinion on the control environment and risk exposure. The report should provide information that prompts management to implement agreed actions. The initial review concluded that Internal Audit had to a large extent complied with this standard. However, four potential enhancements to procedures were noted.

Action Plan:

R5. Include in the brief to managers details of circulation for any potential report arising from audit work

R6. Develop a process to ensure that relevant risk registers are updated to reflect significant risks identified by audit work

R7. Establish a procedure whereby the failure to implement internal audit recommendations is escalated to higher levels of management and ultimately to Audit Committee

R8. Develop a procedure to provide a revised opinion following a follow-up audit, where appropriate

The Audit Procedure Manual has been updated to reflect the above practices, which are now fully operational.

Standard 11 – Performance, Quality and Effectiveness

The Code states that Internal Audit should establish policies and procedures in an audit manual to guide staff in performing their duties and complying with this Code. The initial review found that

the requirement had been largely achieved but there were some further improvements necessary to achieve full compliance.

Action Plan:

- R9. Include guidance within the Audit Procedure Manual to assist auditors to comply with the Code in the performance of their duties
- R10. Review the Audit Procedure Manual on an annual basis to ensure it reflects current working practices and standards
- R11. Revisit and update audit performance measures taking account of input from clients
- R12. Use the most up-to-date self assessment checklist in all future self assessments

The Audit Procedure Manual was updated in 2010 to include guidance about how to comply with the Code and to reflect changes in working practices and standards. A further refresh has been carried out in 2011. In terms of performance management, a range of indicators and targets was developed following consultation with stakeholders and these were adopted by the Audit Committee in 2009. The evaluation reviews in 2010 and 2011 have used the latest self assessment document.

3 Evaluating the Review

3.1 In 2008/09 the review of internal audit against the Code was carried by the KPMG. The expected understanding currently is that such reviews by external audit will take place triennially and accordingly a further assessment has been carried out during 2011/12.

3.2 KPMG has appraised the self assessment and independent evaluation work undertaken during the review cycle and examined evidence to confirm implementation of the agreed actions previously reported to the Audit Committee. A copy of the action plan marked up with KPMG's comments is attached (see Appendix 1).

3.3 The overall the opinion received indicated that the responses and evidence provided confirmed all of the issues identified had been addressed and that compliance with the Code was achieved.

3.4 The results of this review should be taken into account when forming an opinion as to whether or not the internal audit system is effective for the purpose of the Annual Governance Statement.

4 Risk Assessment

4.1 This item is for information only and makes no active recommendations. Therefore there are no risks to address.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	Date of report	26/01/12

List of Background Papers		
Name of document	Date	Where available for inspection
<ul style="list-style-type: none"> • The Accounts and Audit Regulations 2006 • CIPFA Code of Practice for Internal Audit in Local Government (including effectiveness checklist) • KPMG's Interim Audit Report (including Review of Internal Audit) • Report on Effectiveness of Internal Audit – Peer Review • Report on Effectiveness of Internal Audit 	<p>2006</p> <p>5 June 2008</p> <p>19 December 2009</p> <p>23 September 2010</p>	<p>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</p> <p>Agendas and minutes of the Audit Committee are available online at www.fylde.gov.uk</p>

Attached documents

1. Action Plan – Compliance with the Code of Practice for Internal Audit

IMPLICATIONS	
Finance	<p>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.</p> <p>The report also contributes towards the production of the Annual Governance Statement which forms part of the Financial Statements of the Annual Accounts published each year by the Council.</p>
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. This report reviews the effectiveness of internal audit's contribution.

COMPLIANCE WITH INTERNAL AUDIT CODE OF PRACTICE – ACTION PLAN

Ref	Action	Checklist Reference	Responsible Officer	Status September 2011	KPMG Check December 2011
R1	Explore the possibility of a joint approach to aspects of audit work in relation to services currently shared with other local authorities	5.3.1	Head of Internal Audit	Complete: Joint council tax, business rates and housing benefits audits undertaken with Blackpool Council Internal Audit on an ongoing basis	Joint report issued with Blackpool IA on the benefit shared service function. Action Fully Implemented
R2	Share draft plan proposals with external audit to assist with co-ordination	5.4.3	Head of Internal Audit	Complete: IA Plan shared with external audit	Plan shared with EA as part of approval process in March. No changes to plan, and regular updates received via Audit Committee papers. Action Fully Implemented
R3	Update the Audit Procedure Manual to reflect the practice whereby management is informed of interim findings where serious issues have arisen	8.2.2	Head of Internal Audit	Complete: Included in IA Procedure Manual and operational in practice	Audit Procedure Manual Updated – Action Fully Implemented
R4	Include an access policy for audit files and records in the Audit Procedure Manual	8.3.6	Head of Internal Audit	Complete: Included in IA Procedure Manual	Audit Procedure Manual Updated – Action Fully Implemented
R5	Include in the brief to managers details of circulation for any potential report arising from audit work	10.2.7	Head of Internal Audit	Complete: Included in Procedure Manual; Audit Announcement Template Updated	Audit Procedure Manual Updated – Action Fully Implemented
R6	Develop a process to ensure that relevant risk registers are updated to reflect significant risks identified by audit work	10.2.8	Head of Internal Audit	Complete: Included in Procedure Manual & Audit Reports Protocol	Audit Procedure Manual Updated – Action Fully Implemented

Ref	Action	Checklist Reference	Responsible Officer	Status September 2011	KPMG Check December 2011
R7	Establish a procedure whereby the failure to implement internal audit recommendations is escalated to higher levels of management and ultimately to Audit Committee	10.3.2	Head of Internal Audit	Complete: Included in Procedure Manual & Audit Reports Protocol; escalation process is operational practice	Audit Procedure Manual Updated – Action Fully Implemented
R8	Develop a procedure to provide a revised opinion following a follow-up audit, where appropriate	10.3.3	Head of Internal Audit	Complete: Included in Procedure Manual & Audit Reports Protocol	Audit Procedure Manual Updated – Action Fully Implemented
R9	Include guidance within the Audit Procedure Manual to assist auditors to comply with the Code in the performance of their duties	11.1.2	Head of Internal Audit	Complete: Included in Procedure Manual; once a month a Code of Practice Standard is discussed at IA Team meeting	Audit Procedure Manual Updated – Action Fully Implemented
R10	Review the Audit Procedure Manual on an annual basis to ensure it reflects current working practices and standards	11.1.3	Head of Internal Audit	Complete: Revision of Procedure Manual completed in 2009 & 2010; current review for 2011 in progress	Audit Procedure Manual Updated – Action Fully Implemented
R11	Revisit and update audit performance measures taking account of input from stakeholders	11.3.2	Head of Internal Audit	Complete: Survey of stakeholders undertaken; suite of indicators and performance targets adopted by Audit Committee Jan 2010; performance measures reported on at annual and interim reporting stages	Revised survey sent to all relevant stakeholders. Used in report of IA effectiveness to audit Committee. Action Fully Implemented
R12	Use the most up-to-date self-assessment checklist in all future self-assessments		Head of Internal Audit	Adopted [Note: Code of Practice Template downloaded with minor wording differences in two sentences]	The Council now has a standard self assessment checklist used on all audits. Action Fully Implemented

Ref	Action	Checklist Reference	Responsible Officer	Status September 2011	KPMG Check December 2011
R13	Give consideration to carrying out quarterly planning meetings to determine which audits are to be conducted that quarter. Timings can then be discussed with managers to avoid any unnecessary delays at the start of each audit	5.2.2	Head of Internal Audit	Completed: Managers consulted prior to start of year on timing and audits allocated within quarters to best fit requirements	A quarterly plan has been developed showing the reports to be completed each quarter. although formal meetings with managers are not held to agree scheduling within the plan, the quarterly plan is made available to all relevant staff, and the timetable can be amended if necessary. Action Fully Implemented

Audit Committee



Date:	Thursday, 10 November 2011
Venue:	Town Hall, St. Annes
Committee members:	Councillor John Singleton JP (Chairman) Councillor Brenda Ackers (Vice-Chairman) Councillors Christine Akeroyd, Leonard Davies, Kath Harper, Linda Nulty, Louis Rigby, Richard Redcliffe.
Other Councillors:	Councillor Alan Clayton
Officers:	Joanna Scott, Paul O'Donoghue, Paul Rogers
Other Attendees:	

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. No declarations were declared.

Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 22 September 2011 as a correct record for signature by the Chairman.

Substitute members

The following substitution was reported under council procedure rule 22.3:
Councillor Richard Redcliffe for Councillor Ben Aitken.

Mid Year Prudential Indicators and Treasury Management Monitoring Report 2011/12

Joanna Scott (Section 151 Officer) presented a mid-year review of Treasury Strategy and Prudential Indicators for Audit Committee to scrutinize in line with the recommendations of the revised CIPFA (Chartered Institute of Public Finance Accountants) Code of Practice on Treasury Management. In presenting the report, she informed Members that treasury management is about how the Council manages its cash flow. The strategy and approach taken was determined and based on the Capital & Revenue Budget and spending levels

set by the Council. She emphasised that CIPFA had recommended that the treasury side of Local Government should be scrutinised and that this CIPFA Policy was as a consequence of the problems which had arisen following the Icelandic financial situation. She advised that the Prudential Indicators were the limits set by Council on an annual basis which managed the overall Treasury Strategy and approach to cash management.

In referring to interest rates and the global economy, paragraph 2 of the report refers, Joanna Scott emphasised that because of the volatile economic uncertainties, interest rates remained unpredictable. She advised that the borrowing rates forecast (in line with external Treasury advice) as shown in table 1 in paragraph 2.3 were low for the next 18 months and were subsequently expected to rise from September 2013. She indicated that although the Public Works Loan Board had been set up as a lending facility for local authorities, Councils were able to borrow money from elsewhere if such rates were more beneficial. In reply to a Member's question, she informed the Committee that regular meetings were held with Sector the Council's treasury advisors but that she, as Section 151 Officer, was ultimately responsible for the cash management decisions.

The Capital receipt generated from the sale of Clifton Lytham Housing Association in cash terms (and therefore Treasury Management terms) was included as part of the overall Treasury (cash management strategy). How the receipt was allocated to the Capital Programme would be determined by overall decisions taken by Council. The role of the S151 officer was to ensure that the overall Capital Programme was financed in the most efficient way.

In response to a Member's question regarding borrowing more money in the short term due to low interest rates, Joanna Scott advised the economic market remained extremely volatile and that she was waiting for advice from Sector with regard to long term interest rates before any decision on further borrowing was made.

It was RESOLVED that The Audit Committee is recommended to scrutinise the Mid Year Prudential Indicators and Treasury Management Monitoring Report and recommend the following changes to Council:-

- i) Approve the revised Prudential Indicators and Limits

(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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