



## Meeting Agenda

**Audit Committee**  
**Town Hall, St Annes**  
**Thursday 24 June 2010, 7:00p.m.**

**The main doors to the Town Hall will be open to the public at 6:40pm**  
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  
VICE-CHAIRMAN – Councillor Linda Nulty

### **Councillors**

Ben Aitken	Paul Rigby
Christine Akeroyd	Janine Owen
Linda Nulty	Elizabeth Oades
Louis Rigby	Keith Hyde

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## **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



## A G E N D A

### PART I - MATTERS DELEGATED TO COMMITTEE

ITEM	PAGE
<b>1. DECLARATIONS OF INTEREST:</b> <i>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).</i>	4
<b>2. CONFIRMATION OF MINUTES:</b> <i>To confirm as a correct record the minutes of the Audit Committee held on 30 March 2010. As attached at the end of the agenda.</i>	4
<b>3. SUBSTITUTE MEMBERS:</b> <i>Details of any substitute members notified in accordance with council procedure rule 25.3</i>	4
<b>4. CODE OF CORPORATE GOVERNANCE</b>	<b>7-39</b>
<b>5. CONSTITUTION AND PETITION SCHEME</b>	<b>40-50</b>
<b>6. RISK MANAGEMENT ANNUAL REPORT</b>	<b>51-85</b>
<b>7. ANNUAL GOVERNANCE STATEMENT</b>	<b>86-98</b>
<b>8. CORPORATE GOVERNANCE IMPROVEMENT PLAN</b>	<b>99-102</b>
<b>9. INTERNAL AUDIT ANNUAL REPORT 2009-10</b>	<b>103-114</b>
<b>10.EFFECTIVENESS OF THE AUDIT COMMITTEE</b>	<b>115-124</b>



**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
GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	24 JUNE 2010	4

## CODE OF CORPORATE GOVERNANCE

### Public Item

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

### Summary

The council's Code of Corporate Governance needs to be amended to take account of changes to the council's key objectives, changes in officer designations and in line with its scheduled review.

### Recommendation

1. Amend the council's Code of Corporate Governance by adopting the revised version attached to the report.

### Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Corporate Resources and Finance: Councillor Small

### Report

1. A sound system of corporate governance underpins the achievement of all of our strategic objectives and is a significant element of the Corporate Assessment and Use of Resources assessment regimes, which help us compare our performance with other councils.
2. "Good Governance in Local Government: A Framework", published by CIPFA and SOLACE urges councils to:
  - develop and maintain an up-to-date local code of governance consistent with the core principles set out in the Framework, including arrangements for ensuring its ongoing application and effectiveness;

- review their existing governance arrangements against this Framework;
  - prepare governance statements each year to report publicly on how they comply with their own codes including how effective their governance arrangements are, and on any planned changes.
3. Compliance with the framework document is effectively mandatory. The preparation and publication of an annual governance statement is necessary to comply with Regulation 4(3) of the Accounts and Audit Regulations 2003, which requires authorities to prepare a statement of internal control in accordance with “proper practices”. The CIPFA/SOLACE guidance identifies the production of an annual governance statement in accordance with the guidance as “proper practices”
  4. The council adopted its local Code of Corporate Governance in 2008 to describe the arrangements that have been or are being established within the Council to comply with the requirements of the framework. It was revised in 2009. A scheduled review is programmed for this year.
  5. This report suggests a small number of minor changes to the local code. The suggested changes are as follows:
    - The Council recently adopted revised key objectives to replace the ones set out in the present code.
    - The recent management restructure resulted in changes to the designation of two officers with key roles in governance, which need to be reflected in the code..
    - Replacement of references to Comprehensive Performance Assessment by Corporate Assessment.
  6. The code incorporating the amendments is attached.

IMPLICATIONS	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2003.
Community Safety	None
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance make clear.

Report Author	Tel	Date	Doc ID
Ian Curtis	(01253) 658506	14 April 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
Delivering Good Governance in Local Government: A Guidance Note for English Authorities	2007	Town Hall, St. Annes
Delivering Good Governance in Local Government: Framework	2007	Town Hall, St. Annes
Fylde Borough Council Code of Corporate Governance	January 2009	Town Hall, St. Annes

### Attached documents

1. Revised Code of Corporate Governance.



## **Code of Corporate Governance**

### **Document Record**

**Release:** Version 3  
**Date:** April 14 2010  
**Author:** Ian Curtis  
**Ownership:** Governance and Partnerships Directorate

### **Document History**

This code updates version 1 of the Code of Corporate Governance.

### **Document Location**

A copy of the policy is available on the Fylde Borough Council web site and intranet.

The original master copy is stored on the network drive belonging to the Head of Governance

### **Revision History**

Date of next revision: January 2012

<b>Revision Date</b>	<b>Previous version number</b>	<b>Previous revision date</b>	<b>Summary of changes</b>
3/4/08	1		Original version
26/1/09	2		Changes wrought by restructure

### **Approvals**

This policy requires the following approvals:



Audit Committee (obtained June 24 2010)

**Distribution**

This code requires each director to review arrangements within his or her own directorate for securing proper corporate governance and sign an assurance statement. Additionally, the Leader of the Council, Chief Executive, Section 151 Officer, Monitoring Officer and the Chairman of the Audit Committee are required to sign an Annual Governance Statement, a specimen of which is within the code and whose content will need to be informed by the assurance statement of each director.

## 1. BACKGROUND

- 1.1 The Council's investment and activities are focused on achieving our five key objectives which aim to:
- 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
- 1.2 Key community outcomes, targets and projects have been identified to focus and drive the council to achieve its key objectives. These are set out in a corporate action plan, which serves as the blueprint for all of our activities.
- 1.3 A sound system of corporate governance underpins the achievement of all of our key objectives and is a significant element of the Corporate Assessment, which forms part of the "One Place" Comprehensive Area Assessment and helps us compare our performance with other councils.
- 1.4 CIPFA and SOLACE have published a document entitled "Good Governance in Local Government: A Framework", which urges councils to:
- develop and maintain an up-to-date local code of governance consistent with the core principles set out in the Framework, including arrangements for ensuring its ongoing application and effectiveness;
  - review their existing governance arrangements against this Framework;
  - prepare governance statements each year to report publicly on how they comply with their own codes including how effective their governance arrangements are, and on any planned changes.
- 1.5 This local Code of Corporate Governance shows how Fylde Borough Council complies with the CIPFA SOLACE Framework.

## 2. CORE PRINCIPLES

- 2.1 These six core principles are taken from the Good Governance Standard developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and have been adapted for local government purposes. Good governance means:
- 1 Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area

- 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles
- 3 Promoting the values of the authority and demonstrating the values of good governance through behaviour
- 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- 5 Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively
- 6 Engaging with local people and other stakeholders to ensure robust local public accountability.

2.2 Each core principle has supporting principles which reflect the dimensions of a local authority's business. The following paragraphs show how Fylde Borough Council will comply with those principles:

### **Core principle *1***

**Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**

#### Supporting principles

- exercising leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning
- ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

#### To comply with these principles, we will:

- make a clear statement of our purpose and vision and use it as basis for corporate and service planning and shaping the sustainable community strategy and local area agreement
- regularly review our vision for the borough and its impact on our governance arrangements
- publish an annual report to communicate our activities and achievements, our financial position and performance
- meaningfully and effectively review the quality of our services and reflect this information in the Corporate Plan and medium term financial strategy in order to ensure improvement
- meaningfully and effectively measure value for money and reflect this information in performance plans and generally in reviewing our work

- make effective arrangements to deal with failure in service delivery
- when working in partnership ensure that all partners agree a common vision of what the partnership is for. The vision should be:
  - supported by clear and measurable objectives with targets and indicators
  - the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.

## Core principle **2**

### **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

#### Supporting principles

- ensuring effective leadership throughout the authority by being clear about executive and non executive functions and of the roles and responsibilities of the Overview and Scrutiny function and of the Audit and Standards committees.
- ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard.
- ensuring relationships between the authority and the public are clear so that each know what to expect of the other.

#### To comply with the above principles, we will:

- clearly state the formal roles and responsibilities of the cabinet and of its individual members how these should work in practice
- clearly state the roles and responsibilities of front line councillors, members generally and senior officers
- develop protocols to ensure effective communication between councillors and officers in their respective roles
- develop protocols to ensure that the Leader and Chief Executive share an understanding of their roles and objectives
- set out the allowances payable to members in a scheme and have an effective mechanism for reviewing the scheme including an independent panel
- develop our vision, strategic plans, priorities and targets through robust mechanisms, and in consultation with the local community and other key stakeholders and communicate them in a way that people can understand
- when working in partnership:

- ensure the legal status of the partnership is clear
- agree the roles and responsibilities of the partners so that there is effective leadership and accountability
- make sure that all involved know the extent to which representatives of organisations can commit those organisations
- effectively monitor service delivery
- maintain an up-to date scheme of delegated powers within the Constitution
- ensure that effective management arrangements are in place at the top of the organisation
- respect and facilitate the statutory roles of the head of paid service, the officer responsible for our financial affairs (section 151 officer) and the monitoring officer.

### Core principle **3**

#### **Promoting the values of the authority and demonstrating the values of good governance through behaviour**

##### Supporting Principles

- ensuring council members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance
- ensuring that organisational values are put into practice and are effective.

##### To comply with the above principles, we will:

- work to develop trust and shared values among and between councillors and staff
- try to build mutual understanding and respect between councillors of all political groups and none
- maintain formal codes of conduct defining acceptable standards of personal behaviour
- maintain an effective Standards Committee to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture.
- ensure that decisions made by members and employees of the authority are not influenced by prejudice, bias or conflicts of interest
- ensure that their procedures and operations conform with proper ethical standards, both on paper and in practice
- in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such

values must be 'alive' and demonstrated by partners' behaviour both individually and collectively.

## **Core principle 4**

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

#### Supporting principles

- exercising leadership by being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- making sure that an effective risk management system is in place
- recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.

#### To comply with the above principles, we will:

- develop and maintain an effective Overview and Scrutiny function which encourages constructive challenge and enhances our performance overall
- give decision-makers the up-to date accurate and understandable material that they need to make robust evidence-based decisions and record the reasons for them
- make whistle blowing arrangements to which staff and contractors have access
- put in place effective transparent and accessible arrangements for dealing with complaints
- develop and maintain an effective Audit Committee which is independent of the executive and overview and scrutiny functions or make other appropriate arrangements for the discharge of these functions.
- develop and maintain effective arrangements for deciding the pay of senior staff
- make sure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications



- embed risk management into our culture, so that members and managers at all levels recognise it as part of their job.
- Understand the extent and limits of our statutory powers, including the community well-being powers in the Local Government Act 2000
- act within the law, including observing the key principles of administrative law – rationality, legality and natural justice - in our procedures and decision making
- when working in partnership, put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation
- when working in partnership, ensure that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership
- when working in partnership, ensure that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners must ensure that:
  - the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made
  - risk is managed at a corporate and operational level.

## Core principle **5**

**Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively.**

### Supporting principles

- making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal.

### To comply with the above principles, we will:

- develop the skills that members and officers need to effectively carry out their roles

- give the statutory officers the resources and support they need to perform effectively in their roles
- appoint suitably qualified persons to the three statutory officer posts and make sure their roles are properly understood throughout the authority
- provide induction programmes tailored to individual needs and regular opportunities for members and officers to update their knowledge
- continually develop skills to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
- review the performance of the cabinet and individual cabinet members and agree an action plans to meet any training or development needs
- encourage all sections of the community to contribute to and participate in our work
- consider career structures for members and officers to encourage participation and development
- when working in partnership, ensure that partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level. The partnership should :
  - identify the capacity and capability requirements of the partnership
  - conduct an audit of the availability of the capacity and capability of the partnership and partners
  - develop an effective plan for addressing any gaps.

## Core principle **6**

### **Engaging with local people and other stakeholders to ensure robust local public accountability**

#### Supporting principle

- exercising leadership through a robust overview and scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships
- taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery
- making best use of resources by taking an active and planned approach to meet responsibility to staff.

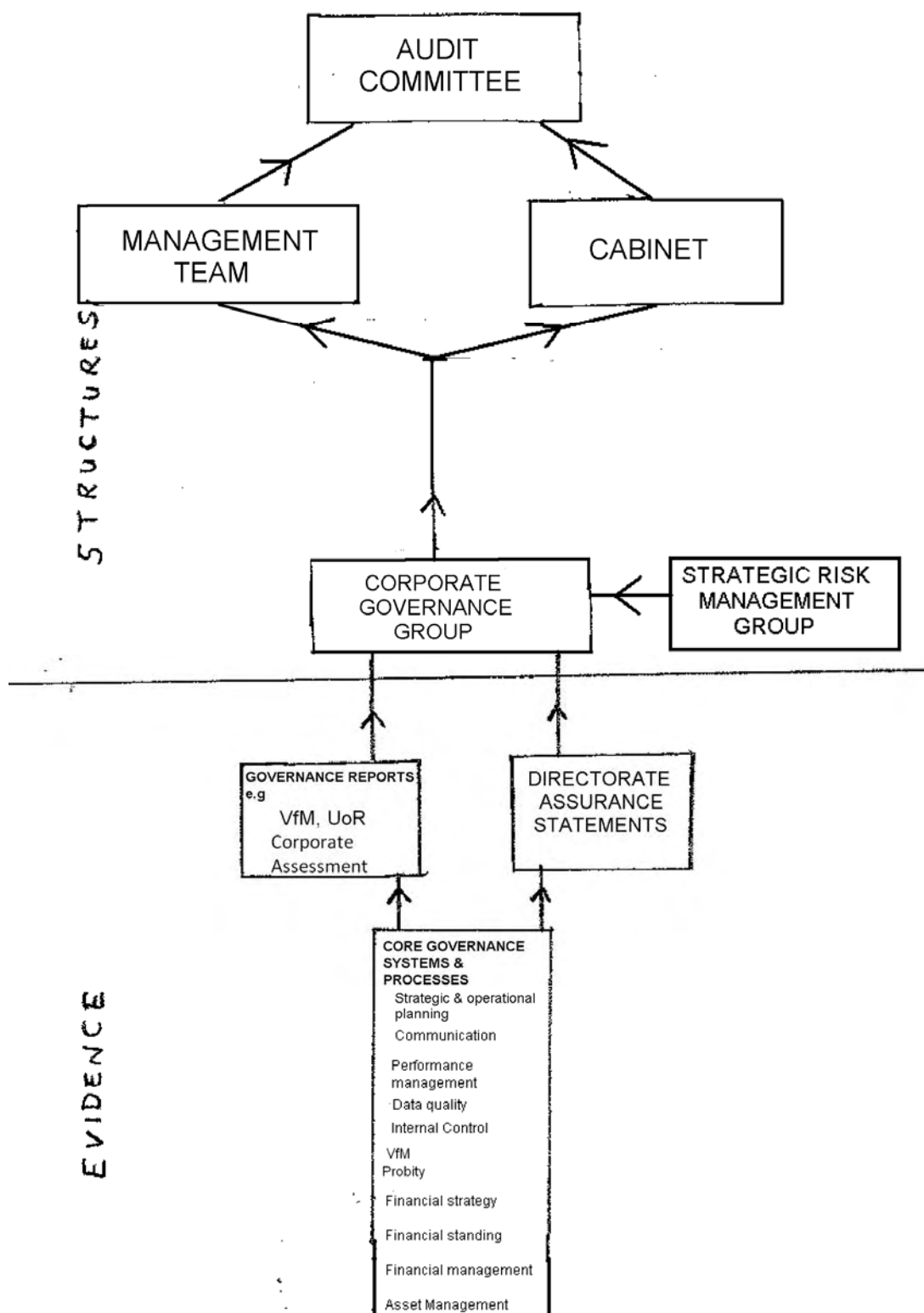
To comply with the above principles, we will:

- make clear to itself, all staff and the community, to whom it is accountable and for what
- consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required
- establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively
- put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- establish a clear policy on the types of issues they will meaningfully consult or engage with the public and service users including a feedback mechanism for those consultees
- on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period
- put in place effective systems to protect the rights of staff. Ensure that policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place
- develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making
- produce an annual report on Overview and Scrutiny function activity
- ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so
- when working in partnership, ensure that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups should be used where appropriate. In the work cycle of the partnership it must be clear and demonstrable to the public what has happened to any feedback and what has changed as a result.

### 3. REVIEW OF ARRANGEMENTS

- 3.1 The CIPFA SOLACE Framework requires the Council to:
- consider the extent to which it complies with the principles and requirements of good governance set out in the Framework
  - identify systems, processes and documentation that provide evidence of compliance
  - identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
  - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
  - identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 3.2 Commencing with the 2007/8 financial year, the Corporate Governance Group has responsibility for conducting a detailed self-assessment of compliance with the above core principles and supporting principles. This includes the listing of documentary evidence to support the results. Much of the required evidence is taken from the following key systems and processes:
- Strategic and business planning;
  - Communication;
  - Performance management;
  - Risk management;
  - Value for money;
  - Probity;
  - Financial strategy;
  - Financial standing;
  - Financial management;
  - Asset management.
- 3.3 These are also the areas that the Audit Commission bases its annual governance report upon.
- 3.4 The key officers involved in the self assessment are:
- Chief Executive
  - Director of Governance and Partnerships
  - Head of Governance (Monitoring Officer)
  - Chief Finance Operating Officer
  - Chief Internal Auditor

- 3.5 The Director of Governance and Partnerships has corporate responsibility for governance including oversight of compliance with the CIPFA SOLACE Framework and the process leading to the publication of the Annual Governance Statement.
- 3.6 Any significant non-compliance issues identified in the self-assessment process are disclosed within the Annual Governance Statement and fed into the service planning process. This means that they are subjected to systematic monitoring which in turn ensures their resolution.
- 3.7 The Annual Governance Statement is also reported to the Management Team and Cabinet at the respective chief officer and member levels. In addition, the Audit Committee has responsibility for oversight and scrutiny of governance matters written into its terms of reference. The overall reporting system for corporate governance is shown below. This also indicates that the Corporate Governance Group acts as a conduit for any governance issues identified through external audit and inspection reports, including CPA and Use of Resources assessments.



#### 4. ANNUAL GOVERNANCE STATEMENT

- 4.1 The CIPFA SOLACE Framework defines proper practice for the form and content of a governance statement and subsumes the requirement to prepare and publish a Statement on Internal Control (SIC). Regulation 4(2) of the Accounts and Audit Regulations 2003 requires a



local authority to “conduct a review at least once in a year of the effectiveness of its system of internal control and .... include a Statement on Internal Control, prepared in accordance with proper practices....”. To meet the requirements of the Regulations it is mandatory to prepare a governance statement in accordance with this section.

- 4.2 The Council has therefore elected to publish an Annual Governance Statement rather than a Statement on Internal Control, using the CIPFA SOLACE pro forma governance statement as shown at Appendix 1, which includes the following information:
- an acknowledgement of responsibility for ensuring there is a sound system of governance, including in particular the system of internal control
  - an indication of the level of assurance that the systems and processes that comprise the authority’s governance arrangements can provide
  - a brief description of the key elements of the governance arrangements
  - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of: the authority; the executive; the audit committee/overview and scrutiny function/risk management committee/standards committee; internal audit and other explicit review/assurance mechanisms
  - an outline of the actions taken, or proposed, to deal with significant governance and internal control issues.
- 4.4 The annual governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:
- the authority’s policies are put into place
  - the authority’s values are met
  - laws and regulations are complied with
  - required processes are adhered to
  - financial statements and other published information are accurate and reliable
  - human, financial and other resources are managed efficiently and effectively
  - high quality services are delivered efficiently and effectively.
- 4.5 It therefore covers performance issues – good governance promotes good service but poor service performance reflects a failure of governance. Consequently, approval and ownership of the governance statement should be at a corporate level and should be confirmed by

the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) signing the statement on behalf of the authority.

- 4.6 The Leader and Chief Executive therefore sign the Annual Governance Statement on behalf of Fylde Borough Council once the review and approval process (Appendix 1) has been followed. To provide additional assurance, the statement will also be signed by the chairman of the Audit Committee, the Monitoring Officer and the Section 151 Officer.
- 4.7 The Annual Governance Statement will be approved by the Audit Committee and published with the financial statements so that the publication timetable for the financial statements drives the governance statement approval timetable.

## **5. DIRECTORATE ASSURANCE STATEMENTS**

- 5.1 As Section 4 above indicates, those signing the Annual Governance Statement will seek assurances that the review and approval process described in Appendix 1 has been followed. This ensures that the views of the statutory officers have been taken into account, and they have in turn sought the views of auditors (internal & external) and other inspectorates as to the adequacy and effectiveness of the Council's system of governance.
- 5.2 However in reviewing and approving the Annual Governance Statement, members will also require assurances on the effectiveness of the governance framework from managers across the Council, as it is they who are charged with embedding corporate governance systems within their directorates.
- 5.3 The Council has therefore adopted a system of Directorate Assurance Statements (Appendix 3) which are compiled on an annual basis to coincide with the production of the Annual Governance Statement. These require Directors to review the operation of a wide range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.
- 5.4 The Corporate Governance Group is then charged with analysing the completed Directorate Assurance Statements to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging from the Directorate Assurance Statements will be included in the Annual Governance Statement.

## **APPENDIX 1**

### **PRO-FORMA ANNUAL GOVERNANCE STATEMENT**

#### **Scope of responsibility**

Fylde Borough Council is responsible for ensuring that its 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. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. A copy of the code is on our website at [www.fylde.gov.uk](http://www.fylde.gov.uk) or can be obtained from the Town Hall, St Annes Road West, St Annes. This statement explains how the council] has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

#### **The purpose of the governance framework**

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Fylde Borough Council for the year ended 31 March 200x and up to the date of approval of the annual report and statement of accounts.

#### **The governance environment**

*This section will describe the key elements of the systems and process that comprise the authority's governance arrangements including arrangements for:*

- *defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication*
- *developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff*
- *reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks*
- *undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities*
- *ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*
- *whistle-blowing and for receiving and investigating complaints from the public*
- *identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*
- *establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- *incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.*

## **Review of effectiveness**

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the directors within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

*This section will describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role of:*

- *the authority*
- *the cabinet*
- *the audit committee/overview and scrutiny committees/risk management committee*

- *the standards committee*
- *internal audit*
- *other explicit review/assurance mechanisms.*

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **Significant governance issues**

*This section will contain an outline of the actions taken, or proposed, to deal with any significant governance and internal control issues.*

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:  
.....

Leader of the Council

Signed

Chief Executive

Signed

Monitoring Officer

Signed

Section 151 Officer

Signed

Chairman, Audit Committee

## APPENDIX 2

### DIRECTORATE GOVERNANCE ASSURANCE STATEMENT

Fylde Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, members and senior officers are responsible for establishing a sound system of governance.

As a director, I have responsibility to enforce the system of governance within my directorate to ensure that it supports the achievement of the directorate's and therefore the Council's objectives.

When discharging my responsibility for reviewing the effectiveness of the system of governance operating within the directorate, I have taken into account the following:

- The adequacy and effectiveness of management review processes;
- Outcomes from risk assessments;
- Relevant self-assessments of key service areas within the directorate;
- Relevant internal audit reports
- Outcomes from reviews by other bodies including external and statutory inspectorates and the external auditors.

I am satisfied that the attached pro-forma accurately describes the operation within my directorate of the various elements of the system of governance as set out during the financial year to 31 March 200x. I am satisfied that the system of governance as so described was overall operating effectively within my directorate during that time and continues to do so.

Where the pro-forma indicates that an appropriate element of governance is not present or is not fully embedded, I propose to address those matters with a view to making them fully effective.

Signed:

Date:

Director for:



<b>1. Strategic planning</b>			
1.1	A service plan for 200x/x has been prepared and managed according to corporate guidance		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
1.2	The Council's project management guidance has been applied to all the directorate's key projects, including capital developments		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
1.3	All partnering arrangements have been managed in accordance with the council's framework for partnership working		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
<b>2. Communication</b>			
2.1	The directorate has established feedback mechanisms to ensure that the views of service users, partners and		

	stakeholders are taken into account		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
2.2	The corporate team briefing process is operating effectively within the directorate		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3. Performance and people management			
3.1	The directorate has monitored progress against its service plan on a quarterly basis		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.2	The corporate staff appraisal system has operated effectively during the year		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			

3.3	Staff personal development plans are up-to-date and copies have been sent to Blackpool HR		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.4	Corporate absence management procedures are adhered to		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.5	The directorate has complied with corporate policies for staff recruitment		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
3.6	All employees comply with the Flexible Working Hours Policy (Flexitime scheme) where applicable		
Fully embedded	Partially operative	Not operative	Not applicable

Further information:			
3.6	All employees have been made aware of their general responsibilities under equalities legislation		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
4. Data quality			
4.1	The directorate has effective procedures for the calculation and collection of all of its national and local performance indicators		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
5. Internal control			
5.1	Agreed recommendations by relevant inspectorates, auditors and other review agencies have been implemented within the agreed timescales		
Fully embedded	Partially operative	Not operative	Not applicable

Further information:			
5.2	All members of staff are aware of the council's contracts procedure rules and financial procedure rules		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
6. Risk management			
6.1	An annual Directorate Operational Risk Register is compiled which complies with the requirements of the Council's Risk Management Strategy.		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
6.2	Joint risk registers have been compiled for key partnerships		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
6.3	There is a unit business continuity plan		

Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
6.4	Corporate health & safety policies and procedures are being complied with		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
7. Value for money			
7.1	The unit achieves value for money in its use of resources		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
7.2	All procurement has complied with the councils contract procedure rules and any procurement policy		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
8. Probity			

8.1	All employees comply with the Officers' Code of Conduct		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
8.2	All employees comply with the Anti-Fraud and corruption policy		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
9. Financial management			
9.2	The directorate regularly monitors its budget		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
9.2	Purchase orders have been raised for all items of expenditure		
Fully embedded	Partially operative	Not operative	Not applicable

Further information:			
9.3	All income is collected and expenditure is processed in accordance with corporate systems and control arrangements		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
10. Asset Management			
10.1	Asset registers or inventories have been compiled and maintained in accordance with corporate procedures		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
11. Information management			
11.1	Computer systems and data are kept secure		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			



11.2	All employees comply with the council's Computer Use Policy		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			
11.3	All employees have been made aware of their general responsibilities under the data protection and freedom of information legislation		
Fully embedded	Partially operative	Not operative	Not applicable
Further information:			

## Notes to the directorate governance assurance statement

The Council is required to publish an Annual Governance Statement alongside its financial statements which must be signed by the Leader, Chief Executive, statutory officers and the Chairman of the Audit committee on behalf of the council. This Statement must include any significant areas of weakness and action plans to address such weaknesses.

The requirements of the Council with regard to governance are set out in guidance published by CIPFA and SOLACE and the Corporate Governance Group are charged with conducting a detailed self-assessment of the extent to which the Council complies with this guidance.

In addition to the corporate self-assessment, assurance is also sought from directors, as it is they who are responsible for implementing the respective governance systems and procedures within their directorates.

The Council has therefore introduced directorate assurance statements, which need to be compiled on an annual basis to coincide with the production of the Annual Governance Statement. These require directors to review the operation of a range of governance elements within their service areas and indicate whether there are any significant non-compliance issues.

The Corporate Governance Group will analyse the completed directorate assurance statements to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging from the directorate assurance statements will be included in the Annual Governance Statement itself.

### Elements of governance

The directorate assurance statement sets out eleven strands of governance, each of which is sub-divided into separate elements. Each element relates to a specific governance related procedure or measure which should normally be in place within directorates. These are requirements laid down in a range of corporate policies and also form the basis of the annual review of governance by the Audit Commission.

### How to use complete the directorate assurance statements

Please complete the relevant part of the form for **every** element of governance by ticking the box below it. What goes in the "Further Information" box depends on what you have ticked.

If you have ticked against:

Fully embedded	Use the box to provide information in support of your claim to have embedded the element in your directorate. This may include a reference to further documentation provided by you with the form, or readily available to those who may validate the form.
Partially operative	Use the box to provide information in support of your claim that the element is partially operating in your directorate (see above), and to set out the steps you

	will take to try to fully embed the element within the next year. These steps should feed into your service plan.
Not operative	Use the box to set out the steps you will take to try to introduce and embed the element within your directorate during the next year. These steps should feed into your service plan
Not applicable	Use the box to say why you believe this element is not applicable within your directorate.

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	24 JUNE 2010	5

## CONSTITUTION AND PETITION SCHEME

### Public/Exempt item

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

### Summary

The council's constitution needs to be re-adopted by the council each year. This report highlights some proposed changes and invites the committee to recommend to the council that it formally re-adopts the constitution subject to those changes

The committee is also invited to recommend the adoption of a scheme for dealing with petitions, as required by the Local Democracy, Economic Development and Construction Act 2009. The scheme would be incorporated in the constitution.

### Recommendation/s

1. Recommend that the council re-adopt the constitution as appended to the report, incorporating the changes highlighted in the report, and including a petition scheme as part E of appendix 5.

### Cabinet portfolio

The item falls within the following cabinet portfolio: Corporate resources and finance (Councillor Roger Small).

## **Report**

### **Background**

1. Article 14 of the council's constitution requires the Monitoring Officer to submit a fully up-to-date text of the Constitution every year to the meeting following the Annual Meeting of the Council, with a view to its formal approval and re-adoption by the Council for the ensuing Municipal Year, with any amendments or alterations then considered appropriate or necessary by the Council.
2. The constitution will therefore be submitted to the council meeting on 26 July. The committee is asked to examine the changes proposed to be made and recommend to the council that the changes (or such other changes as it considers appropriate) be incorporated in the constitution.
3. The proposed revised version of the constitution, showing the changes, can be accessed at <http://www.fylde.gov.uk/meetings/details/830/> The changes which have a substantive effect are set out and explained below. Other changes have been made to correct typographical and similar errors.

### **Proposed changes: General**

4. The proposed changes this year mainly relate to the new petitions duty, which is described below. The only other changes are a very small number of typographical matters and the updating of references to "Head of Internal Audit" to read "Chief Internal Auditor".

### **CIPFA guidance:**

5. Some changes to the Financial Procedure Rules have been made to reflect new CIPFA guidance on treasury management. There are also new (or newly-stated and clearer defined) responsibilities for the section 151 officer, the Audit Committee and the portfolio holder for finance and resources as a result of the same guidance.

### **The petitions duty.**

6. The Local Democracy, Economic Development and Construction Act 2009 introduced a new requirement for councils to make a scheme for dealing with petitions made to it. The scheme must comply with the act and regulations made under it. Councils must also have regard to statutory guidance issued by the secretary of state when implementing the duty. The Secretary of State's guidance includes a model form of petitions scheme for councils to consider adopting.
7. The petitions duty has only partly been brought into force at present. The part of the duty that makes specific reference to electronic petitions is not yet in force, but the government intend to bring it into force in December this year.
8. The act makes a number of detailed stipulations about what a petition scheme should contain. In particular, the scheme must:
  - provide for anyone who lives, works or studies in the local authority area, including under 18's, to sign or organise a petition and trigger a response
  - require petitions must be acknowledged within a time period specified by the local authority

- specify steps that the council must choose from when responding to a petition, and these must include
  - taking the action requested in the petition;
  - considering the petition at a meeting of the authority;
  - holding an inquiry;
  - holding a public meeting;
  - commissioning research;
  - a written response to the petition organiser setting out the authority's views on the request in the petition; and
  - referring the petition to an overview and scrutiny committee

9. Petitions with a significant level of support must trigger a debate of the full council. Councils must determine this threshold locally but it must be no higher than 5 per cent of the local population.
10. Petitions with a requisite level of support, set by the local authority, must trigger a senior local government officer to give evidence at a meeting of an overview and scrutiny committee.
11. Finally, the scheme must allow petition organisers to require a review of the local authority's response to their petition if they consider the response to be inadequate.
12. The requirements listed above are the minimum set by the 2009 Act. The government encourages authorities to consider designing a scheme which is wider than these requirements. This might include, for example, responding to petitions from those who do not live, work or study in the local area.
13. A possible petition scheme is appended to this report. The scheme is essentially the government's model scheme. My commentary within the text identifies the most significant parts of the scheme where the council could choose to make a different provision than the model. Members are invited to express their preferences on these matters for the council to consider.
14. The legislation has specific provisions for electronic, or on-line, petitions. Those provisions have not yet come into force. The government has said that it will bring them into force in December. The parts of the model scheme about electronic petitions are shown greyed-out in the appendix. It would be sensible not to adopt those yet, but to wait until nearer to the time when the corresponding provisions come into force. Nevertheless, the council can run an e-petition facility without formally adopting a scheme, and such a facility may be in place before this report is considered.

IMPLICATIONS	
Finance	Implementing the petitions duty will have resource implications for the council. There was no extra government

	grant allocation for these extra responsibilities so this work will have to be met from existing revenue budget resources.
Legal	Article 14 of the constitution requires the constitution to be submitted for re-adoption to the annual meeting of the council
Community Safety	The petitions duty, if embraced by the public and the council, could become a very important channel for people to have their concerns about crime and community safety considered by the council.
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	None

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	6 May 2010	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
Council constitution	October 2009, as amended	Town Hall, St Annes, or <a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Listening to communities: Statutory guidance on the duty to respond to petitions	30 March 2010	<a href="http://www.communities.gov.uk/publications/communities/dutyrespondpetitionguidance">www.communities.gov.uk/publications/communities/dutyrespondpetitionguidance</a>

### Attached documents

Possible petition scheme

# Petitions scheme

## 1. INTRODUCTION

- 1.1. The council welcomes petitions and recognises that petitions are one way in which people can let us know their concerns. All petitions sent or presented to the council will receive an acknowledgement from the council within 10 working days of receipt. This acknowledgement will set out what we plan to do with the petition. We will treat something as a petition if it is identified as being a petition, or if it seems to us that it is intended to be a petition.
- 1.2. Paper petitions can be sent to: Director of Governance & Partnerships, Fylde Borough Council, Town Hall, St Annes Road West, St Annes FY8 1LW or be created, signed and submitted online by following this link [link]
- 1.3. Petitions can also be presented to a meeting of the council. These meetings usually take place on a 6 weekly basis, dates and times can be found here [link]. If you would like to present your petition to the council, or would like your councillor or someone else to present it on your behalf, please contact [insert name] on [insert phone number] at least 10 working days before the meeting and they will talk you through the process. If your petition has received 1500 signatures or more it will also be scheduled for a council debate [link to section on Full Council Debates] and if this is the case we will let you know whether this will happen at the same meeting or a later meeting of the council.

*Commentary: The model scheme does not set a threshold level for petitions. This goes further than the statutory requirements, which enable the council to set a minimum number of signatures that a petition must attract. However, the statutory guidance suggests that if councils do set a threshold, it should be very low. If a threshold is set, the scheme could require that only the signatures of people who live, work or study in the council's area count towards the threshold. The scheme can also include for verification of the name and address of signatories.*

*See the commentary to paragraph 5 for discussion of the threshold for full council debates.*

## 2. WHAT ARE THE GUIDELINES FOR SUBMITTING A PETITION?

- 2.1. Petitions submitted to the council must include:
  - a clear and concise statement covering the subject of the petition. It should state what action the petitioners wish the council to take
  - the name and address and signature of any person supporting the petition.
- 2.2. Petitions should be accompanied by contact details, including an address, for the petition organiser. This is the person we will contact to explain how we will respond to the petition. The contact details of the petition



organiser will not be placed on the website. If the petition does not identify a petition organiser, we will contact signatories to the petition to agree who should act as the petition organiser.

- 2.3. Petitions which are considered to be vexatious, abusive or otherwise inappropriate will not be accepted. In the period immediately before an election or referendum we may need to deal with your petition differently – if this is the case we will explain the reasons and discuss the revised timescale which will apply. If a petition does not follow the guidelines set out above, the council may decide not to do anything further with it. In that case, we will write to you to explain the reasons.

### **3. WHAT WILL THE COUNCIL DO WHEN IT RECEIVES MY PETITION?**

- 3.1. An acknowledgement will be sent to the petition organiser within 10 working days of receiving the petition. It will let them know what we plan to do with the petition and when they can expect to hear from us again. It will also be published on our website.
- 3.2. If we can do what your petition asks for, the acknowledgement may confirm that we have taken the action requested and the petition will be closed. If the petition has enough signatures to trigger a council debate, or a senior officer giving evidence, then the acknowledgment will confirm this and tell you when and where the meeting will take place. If the petition needs more investigation, we will tell you the steps we plan to take.
- 3.3. If the petition applies to a planning or licensing application, is a statutory petition (for example requesting a referendum on having an elected mayor), or on a matter where there is already an existing right of appeal, such as council tax banding and non-domestic rates, other procedures apply. Further information on all these procedures and how you can express your views is available here [insert links]
- 3.4. We will not take action on any petition which we consider to be vexatious, abusive or otherwise inappropriate and will explain the reasons for this in our acknowledgement of the petition.

*Commentary: It would be advisable delegate the power to decide whether a petition is vexatious, abusive or otherwise inappropriate to an officer, possibly the Director of Governance and Partnerships. Without such a delegation, the council itself would need to decide whether the petition fell into any of the categories set out.*

- 3.5. To ensure that people know what we are doing in response to the petitions we receive the details of all the petitions submitted to us will be published on our website, except in cases where this would be inappropriate. Whenever possible we will also publish all correspondence relating to the petition (all personal details will be removed). When you sign an e-petition you can elect to receive this information by email. We will not send you anything which is not relevant to the e-petition you have signed, unless you choose to receive other emails from us. [link to account settings]

#### 4. HOW WILL THE COUNCIL RESPOND TO PETITIONS?

- 4.1. Our response to a petition will depend on what a petition asks for and how many people have signed it, but may include one or more of the following:
- taking the action requested in the petition
  - considering the petition at a council meeting
  - holding an inquiry into the matter
  - undertaking research into the matter
  - holding a public meeting
  - holding a consultation
  - holding a meeting with petitioners
  - referring the petition for consideration by the council's overview and scrutiny committee
  - calling a referendum
  - writing to the petition organiser setting out our views about the request in the petition

*Commentary: The legislation requires that the authority takes one or more steps in relation to a petition. The steps set out in the legislation do not include holding consultation, holding a meeting with petitioners or calling a referendum. In other words, those steps may be included in this scheme, but do not have to be.*

*The thorniest issue here, and one which the guidance appears to ignore, is "who decides what action to take on a petition?" If the decision is not delegated in some way, then every petition will, by default, be discussed at a meeting of the full council. That may not be appropriate. One option would be for the council to set up a small committee of, say, three members, to decide which one of the steps to take. But the committee would need to be serviced and to comply with all access to information requirements. That kind of structure could be seen as being over-elaborate for the purpose. It would seem more sensible to devise a protocol, which could be included in this scheme, whereby the decision as to which step to take was delegated to the Director of Governance and Partnerships, but which would require the director to consult with, say, the leader of the council, the leader of the main opposition group and at least one chairman of a scrutiny committee before making her decision.*

- 4.2. In addition to these steps, the council will consider all the specific actions it can potentially take on the issues highlighted in a petition. The table below gives some examples.
- **Alcohol related crime and disorder:** If your petition is about crime or disorder linked to alcohol consumption, the council will, among other measures, consider the case for placing restrictions on public drinking in

the area by establishing a designated public place order or, as a last resort, imposing an alcohol disorder zone. When an alcohol disorder zone is established the licensed premises in the area where alcohol related trouble is being caused are required to contribute to the costs of extra policing in that area. The council's response to your petition will set out the steps we intend to take and the reasons for taking this approach.

• **Anti-social behaviour (ASB)** As the elected representatives of your local area and as licensing authority, the council plays a significant role to play in tackling anti-social behaviour. The council, in conjunction with our partners in the local crime and disorder partnership have set out minimum service standards for responding to issues of anti-social behaviour, you can find more details about these standards here [\[insert link\]](#).

When responding to petitions on ASB, we will consider in consultation with our local partners, all the options available to us including the wide range of powers and mechanisms we have to intervene as part of our role as social landlord and licensing authority. For example, we will work with the neighbourhood policing team in the affected area to identify what action might be taken including what role CCTV might play, consider identifying a dedicated contact within the council to liaise with the community and neighbourhood partners on issues of ASB in the area in question and, where appropriate, we will alert the crime and disorder reduction partnership and crime and disorder overview and scrutiny committee to the issues highlighted in the petition.

- 4.3. If your petition is about something over which the council has no direct control (for example the local railway or hospital) we will consider making representations on behalf of the community to the relevant body. The council works with a large number of local partners [\[link to list of LAA partners\]](#) and where possible will work with these partners to respond to your petition. If we are not able to do this for any reason (for example if what the petition calls for conflicts with council policy), then we will set out the reasons for this to you. You can find more information on the services for which the council is responsible here [\[link\]](#).
- 4.4. If your petition is about something that a different council is responsible for we will give consideration to what the best method is for responding to it. This might consist of simply forwarding the petition to the other council, but could involve other steps. In any event we will always notify you of the action we have taken.

## 5. FULL COUNCIL DEBATES

- 5.1. If a petition contains more than 1,500 signatures it will be debated by the full council unless it is a petition asking for a senior council officer to give evidence at a public meeting. This means that the issue raised in the petition will be discussed at a meeting which all councillors can attend. The council will endeavour to consider the petition at its next meeting, although on some occasions this may not be possible and consideration will then take place at the following meeting. The petition organiser will be given five minutes to present the petition at the meeting and the petition will then be discussed by councillors for a maximum of 15

minutes. The council will decide how to respond to the petition at this meeting. They may decide to take the action the petition requests, not to take the action requested for reasons put forward in the debate, or to commission further investigation into the matter, for example by a relevant committee. Where the issue is one on which the council executive are required to make the final decision, the council will decide whether to make recommendations to inform that decision. The petition organiser will receive written confirmation of this decision. This confirmation will also be published on our website.

*Commentary: The model scheme sets the trigger limit for a mandatory full council debate at 1,500 signatures. The highest trigger figure that would be available for Fylde is 4,967<sup>1</sup>. However, the statutory guidance urges that a lower figure be used wherever possible. There is a high level of flexibility. For instance, a trigger figure could be set as a certain percentage of the population of a parish, provided that that the figure could never exceed 4,967.*

## **6. OFFICER EVIDENCE**

- 6.1. Your petition may ask for a senior council officer to give evidence at a public meeting about something for which the officer is responsible as part of their job. For example, your petition may ask a senior council officer to explain progress on an issue, or to explain the advice given to elected members to enable them to make a particular decision.
- 6.2. If your petition contains at least 750 signatures, the relevant senior officer will give evidence at a public meeting of the council's overview and scrutiny committee. A list of the senior staff that can be called to give evidence can be found here [insert link]. You should be aware that the overview and scrutiny committee may decide that it would be more appropriate for another officer to give evidence instead of any officer named in the petition– for instance if the named officer has changed jobs. The committee may also decide to call the relevant councillor to attend the meeting. Committee members will ask the questions at this meeting, but you will be able to suggest questions to the chair of the committee by contacting [insert details] up to three working days before the meeting.

*Commentary: There are two main variables here on which the council will need to decide. First, what should be the threshold for requiring an officer to give evidence at an overview and scrutiny committee? Second, which officers should the provisions apply to?*

*There are no mandatory limits for the threshold figure. The statutory guidance suggests that councils should use low thresholds, such as the figure of 750 set out in the guidance, at the outset. As with all thresholds, the guidance advocates that councils should consider lowering threshold figures if no requests are triggered.*

*The legislation requires that the provision applies to the head of paid service and all statutory and non-statutory chief officers. At Fylde, this means that it must apply to the chief executive, the four directors and the chief financial officer (section 151 officer). Councils can, if they wish, apply the provisions to other officers as well as*

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<sup>1</sup> Calculated as 5% of 76,500, which is the Office of National Statistics estimate of the population of Fylde in 2008.

*these, but the statutory guidance says that this should only extend to “senior officers responsible for delivering council functions and public services and not junior members of staff”.*

## **7. E-PETITIONS**

- 7.1. The council welcomes e-petitions which are created and submitted through our website [link]. E-petitions must follow the same guidelines as paper petitions [link to guidelines]. The petition organiser will need to provide us with their name, postal address and email address. You will also need to decide how long you would like your petition to be open for signatures. Most petitions run for six months, but you can choose a shorter or longer timeframe, up to a maximum of 12 months.
- 7.2. When you create an e-petition, it may take five working days before it is published online. This is because we have to check that the content of your petition is suitable before it is made available for signature.
- 7.3. If we feel we cannot publish your petition for some reason, we will contact you within this time to explain. You will be able to change and resubmit your petition if you wish. If you do not do this within 10 working days, a summary of the petition and the reason why it has not been accepted will be published under the ‘rejected petitions’ section of the website.
- 7.4. When an e-petition has closed for signature, it will automatically be submitted to [insert details]. In the same way as a paper petition, you will receive an acknowledgement within 10 working days. If you would like to present your e-petition to a meeting of the council, please contact [insert details] within 10 working days of receipt of the acknowledgement.
- 7.5. A petition acknowledgement and response will be emailed to everyone who has signed the e-petition and elected to receive this information. The acknowledgment and response will also be published on this website.

## **8. HOW DO I ‘SIGN’ AN E-PETITION?**

- 8.1. You can see all the e-petitions currently available for signature here [insert link].
- 8.2. When you sign an e-petition you will be asked to provide your name, your postcode and a valid email address. When you have submitted this information you will be sent an email to the email address you have provided. This email will include a link which you must click on in order to confirm the email address is valid. Once this step is complete your ‘signature’ will be added to the petition. People visiting the e-petition will be able to see your name in the list of those who have signed it but your contact details will not be visible.

## **9. WHAT CAN I DO IF I FEEL MY PETITION HAS NOT BEEN DEALT WITH PROPERLY?**

- 9.1. If you feel that we have not dealt with your petition properly, the petition organiser has the right to request that the council's overview and scrutiny committee review the steps that the council has taken in response to your petition. It is helpful to everyone, and can improve the prospects for a review if the petition organiser gives a short explanation of the reasons why the council's response is not considered to be adequate.
- 9.2. The committee will endeavour to consider your request at its next meeting, although on some occasions this may not be possible and consideration will take place at the following meeting. Should the committee determine we have not dealt with your petition adequately, it may use any of its powers to deal with the matter. These powers include instigating an investigation, making recommendations to the council executive and arranging for the matter to be considered at a meeting of the full council.
- 9.3. Once the appeal has been considered the petition organiser will be informed of the results within five working days. The results of the review will also be published on our website

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE & PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	24 JUNE 2010	6

## RISK MANAGEMENT ANNUAL REPORT

### Public item

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

### Summary

The report summarises the year end report on the 2009-2010 Risk Register Action Plans, the work undertaken by the Council's Insurance & Risk Management Officer in producing the Strategic Risk Register for 2010 – 2011, the annual review of the Risk Management Strategy and an update on the outstanding risk actions from the 2009-10 Risk Register.

The report links principally to the Corporate Objective - "To meet the expectations of our customers".

### Recommendations

1. It is recommended that the year end report of the progress made on the 2009-2010 Risk Action plans be considered and appropriate comments made.
2. It is recommended that the Strategic Risk Register for 2010-2011 is approved
3. It is recommended that the Risk Management Strategy (reviewed June 2010) is approved.
4. That the update on the outstanding risk actions on the LDF and Regeneration Framework is noted.

## **Executive Portfolio**

The item falls within the following executive portfolio: Finance & Resources (Cllr Roger Small)

### **Report**

#### **1 Introduction**

1.1 In May 2003, a strategic risk management exercise was conducted for the Council by Zurich Municipal Management Services (ZMMS). The exercise was an opportunity to identify, analyse and prioritise risks that may affect the ability of the Council to achieve its corporate objectives. It also formed part of the Council's corporate governance requirement to manage its risks. This work was not designed to be a one off initiative but rather something that the Council could take forward in the long term as part of its risk management strategy, by embedding the process within the existing planning processes.

1.2 Since 2004, the review of strategic risks has been conducted each year by Council's Insurance & Risk Management Officer and Head of Internal Audit. Both officers work as a team to undertake an exercise which identifies key strategic risks facing the organisation and prioritising these risks.

1.3 The Audit Commission advises that there should be both member and officer involvement in the risk identification exercise. In 2010, this exercise involved both the Chief Officers Management Team, Heads of Service Group together with the Leader & Deputy Leader of the Council and Chairman & Vice Chairman of the Audit Committee.

1.4 It is a requirement of the Audit Commission that the strategic risks facing the council are reviewed on an annual basis.

#### **2 Strategic Risk Register 2009-2010**

2.1 Following the risk identification and prioritisation stage in each year, a risk register is produced as a result. This register identifies a number of actions requires to reduce the likelihood of the risk occurring.

2.2 These actions are monitored throughout the year by the Strategic Risk Management Group (SRMG). There were 53 such actions identified in the 2009-2010 Risk Register. The number of tasks completed in full was 47, this representing 88% of the total number of actions. The 6 remaining actions, previously reported to the Audit Committee in January 2010, and March 2010 were in connection the production of the LDF (5 actions) and the Regeneration Framework. An update on these items requested by the Audit Committee at its March meeting is included in paragraph 5 of this report.

#### **3 Review of the Risk Management Strategy**

3.1 As mentioned in the introduction above the current Use of Resources inspection regime requires the Council to review its risk management strategy on an annual basis and have the revised document adopted by the Audit Committee.



3.2 The Risk Management Strategy has been updated to reflect the changes in the structure of the Management Team/Directorates which have occurred since June 2009, when the current strategy was adopted by the Audit Committee. A further review of the strategy will take place during 2010-2011 to reflect changes which are to be introduced by the Government on inspection regimes and also to reflect best practise.

#### **4 Risk Register – 2010-2011**

4.1 The risk register for 2010-2011 is attached (Appendix 2). The strategic risks and risk champions for each risk are:

<b>Strategic Risk</b>	<b>Risk Champion</b>
Capacity	Chief Executive
Economic Conditions	Director of Strategic Development Services
Energy Efficiency	Director of Strategic Development Services
Finances	Director of Governance & Partnerships
ICT Infrastructure	Director of Customer & Operational Services
St Annes Pool	Director of Strategic Development Services
Staff Issues	Chief Executive
Temporary Accommodation	Director of Community Services
Transfer of Assets to Parishes	Director of Community Services
Waste Management	Director of Customer & Operational Services

4.2 Each individual risk action identified in the Risk Register is recorded to enable it to be monitored through to its successful completion. Progress reports on the current status of all the risk actions are made to the SRMG.

4.3 In light of the change in government at the election in May 2010, it may be necessary to review the current action plans and if necessary adopt additional plans to manage new risks facing the Council in light of changes made in the emergency budget and after the results of this autumns Comprehensive Spending Review settlement for the period 2011/2014 are known.

#### **5 Update on 2009-2010 Risks (LDF & Regeneration Framework)**

5.1 The January meeting of the Audit Committee was advised of 6 outstanding action in respect of LDF (5 actions) and the Regeneration Framework (1 action)

5.2 Five actions related to the LDF actions which were:

- Undertake a study of the potential of the borough to accommodate renewable energy and low carbon technology projects
- Undertake viability study in relation to the provision of affordable housing
- Sustainability appraisal scoping report update
- Undertake sustainability appraisal of core strategy development options
- Review the Local Development Scheme (LDS) statutory requirement

5.2.1 These actions were set at the start of the 2009/10 year and were believed at that point to flow from work already underway. Shortly after the start of the year the Planning Advisory Service undertook a peer review of the LDF process and made a number of

substantial recommendations to improve delivery of the LDF. This included establishing the LDF Steering group made up of members and officers to consider how best to progress the work of the LDF and in particular the Core Strategy. The group recommended that external specialist legal opinion was sought to assist the Council in meeting its duty. In light of this advice the LDF Steering group has now agreed a draft Core Strategy project timetable. The draft timetable has been sent to Government Office who has made some comments on the details of the plan.

5.2.2 However on the 27 May 2010 the new Secretary of State for Communities and Local Government, wrote to Council leaders highlighting the Coalition Government's commitment to rapidly abolish Regional Spatial Strategies (RSS) and return decision making powers on housing and planning to local councils. This has introduced confusion in the LDF process nationally as the Regional Spatial Strategies contain more than just housing numbers and requirements for gypsies, etc. Local Core Strategies currently must conform to policies set out in the RSS. Clearly without an RSS there will be policy vacuum between national policies and local Core Strategies. It is expected there will be an announcement from CLG in the near future to advise local planning authorities of what is expected in delivery of its LDF obligations.

5.2.3 A meeting of the LDF Steering group is scheduled for July when it is hoped more clarity can be made of the rapidly changing landscape. As a result the five outstanding actions should be deleted. A new action plan will be set once above situation becomes clearer.

5.3 The remaining outstanding action is related to the production of a Regeneration Framework.

5.3.1 The purpose of the framework is to provide a summary of the regeneration needs and ambitions for different areas of the borough for particular use in seeking contributions from developers through section 106 agreements. Work has progressed and officers have researched numerous points of reference such as town/parish plans and have consulted with town and parish representatives.

5.3.2 However on the 6<sup>th</sup> April the new Community Infrastructure Levy Regulations 2010 came into force. <http://www.communities.gov.uk/documents/planningandbuilding/pdf/1503577.pdf> The link explains in more detail what the CIL is and how it could be set and levied locally. A CIL could only be implemented if an authority has an up to date development plan in place. It is proposed that the production of a CIL charging structure is considered alongside production of the Fylde Core Strategy and that they be the subject of a joint examination. The new regulations make it much stricter what can be required of developers when determining a planning application where a CIL is not in place. Work on the regeneration framework will be useful in establishing the evidence base for regeneration need in the CIL although it may be more difficult until a CIL is in place to require developers to contribute to things not directly related to their development.

5.3.3 Nevertheless the new Coalition Government may be reviewing the CIL regulations and considering replacing it with a local tariff-based structure. As in 5.3 there is likely to be further announcements from Government over the next few months. A revised date of September 2010 is proposed for completion of the Regeneration Framework. It may not be clear by this date how future 'tariffs' or 'obligations' will be sought. It may well still be the case that contributions are sought for regeneration schemes on a case by case basis until

the CIL framework is in place. However, by taking a Borough –wide approach to regeneration needs, within a single framework or strategy, an overview will be possible as to the sum total of regeneration ambitions and his work will usefully dovetail into the on going work within the LDF.

Implications	
Finance	<p>The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and which includes arrangements for the management of risk.</p> <p>The Use of Resources Judgement (assessment undertaken by External Audit) includes a section on Risk Management. Risk Management is included as a key part of the Internal Control assessment.</p>
Legal	The annual risk review forms a key part of the council's corporate governance arrangements.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability	None arising from this report
Health & Safety and Risk Management	The work of the Risk Management Officer in producing the Strategic Risk Register and reviewing the Strategic Risk Management Strategy helps to fulfil the requirement of the Accounts Regulations and contributes to the scoring on the Use of Resources Inspection and Comprehensive Area Assessment.

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit Cttee June 10

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



# Risk Management Strategy

Audit Committee June 2010

## FOREWORD

Welcome to the Council's Strategic & Operational Risk Management Strategy, revised in June 2009. The aim of the Strategy is to improve strategic & risk management throughout the Council. Effective risk management allows the Council to:

- have increased confidence in achieving its priorities and outcomes
- mitigate threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that it gets the right balance between rewards and risks
- improve its partnership working arrangements and corporate governance

Effective risk management will help to ensure the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver its priorities and improve outcomes for its residents.

This strategy explains Fylde Borough Council's approach to strategic and operational risk management, and the framework that it will operate to ensure that it arranges its risks effectively.

**Cllr, Roger Small**  
**Risk Management**  
**Cabinet**  
**Portfolio Holder**



**Phillip Woodward**  
**Chief Executive Officer**  
**Fylde Borough Council**



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## Information Box

Title	Risk Management Strategy version 3.2 revised June 2010
Description	Fylde Borough Council's Risk Management Strategy
Primary audience	Members, Chief Executive, Corporate Management Team, Heads of Service and all Fylde Borough Council staff
Contact	Insurance & Risk Management Officer Governance & Partnerships Directorate Tel. No.: 01253 658412
Last revised	June 2009

# 1. Introduction

This document forms Fylde Borough Council's Risk Management Strategy. It sets out:

- What is meant by risk management
- Why we need a risk management strategy
- The philosophy of our risk management
- An overview of the methodology to be adopted and its links with existing processes
- A summary of the implementation timetable
- An outline of the associated roles and responsibilities of members, chief officers and other employees.
- A summary of future monitoring and reporting lines for risk management

## **Aim:**

The aim of this strategy is to improve the Council's ability to deliver its strategic priorities by managing its threats, enhancing its opportunities and creating an environment that adds value to ongoing operational activities.

## **Objectives:**

- fully integrate strategic and operational risk management into the culture of the Council and into the Council's strategic planning processes
- ensure that the framework for identifying, analysing, prioritising, action planning, monitoring and monitoring and reviewing risks across the Council is implemented and understood by all relevant staff
- communicate the Council's approach to risk management to its stakeholders and partners
- promote the co-ordination of risk management activities across the Council
- ensure that the Executive, Corporate Management Team (CMT) and external regulators can obtain the necessary assurance that the Council is mitigating the risks of not achieving its objectives, and thus complying with good corporate governance practice.
- ensure consistency throughout the Council in the management of risk

This strategy outlines how Fylde Borough Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.

A policy statement is attached at [Appendix A](#).



## 2. What is Risk Management?

Risk Management can be defined as:

“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks”  
*ZMMS/SOLACE, Chance or choice?, July 2000.*

Risk management is a strategic tool and is an essential part of effective and efficient management and planning.

Fylde BC delivers a diversity of services that provides a vast potential for personal injury and loss or damage. Risk management will allow us to reduce that potential and in respect of strategic risk it will allow us to effectively manage the barriers to achievement of the Council's objectives.

## 3. Why do we need a Risk Management Strategy?

Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.

Strategic risk management is also an integral requirement of the Use of Resources Assessment and as such is an important element in demonstrating continuous improvement.

Risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance that was to be adopted by all Authorities in 2002/03. The CIPFA/SOLACE framework requires Fylde Borough Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The Framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk. The assurance statement is disclosed in the Annual Statement of Accounts and referred to in the Performance Plan and is signed by the Leader of the Council and the Chief Executive.

## 4. What is our philosophy?

The Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. The council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour.



Risk management is something that everyone within Fylde Borough Council undertakes almost daily to varying degrees. Risk Management cuts across all areas of management and it is, therefore, difficult to draw clear boundaries around risk management. However, at Fylde Borough Council risk management falls within the following main areas:

- Health & Safety
- Emergency Planning
- Business Continuity Planning
- Projects
- Business Risks i.e. risks identified in the Corporate & Operational Risk Registers
- Partnerships/Shared Services

The risk management process contained in this strategy applies primarily to the Strategic Business and Project risk areas, however, the principle of the strategy can be applied to operational risk areas.

The main areas of risk identified above are managed by the following Directorates

<b>Risk Area</b>	<b>Service Area with Lead Responsibility</b>
Health & Safety Risks	Governance & Partnerships (Client) Blackpool Occupational Health & Safety Team (Delivery)
Emergency Planning	Community Services
Business Continuity Planning	Governance & Partnerships
Project Risks	Initiating Directorate
Business Risks	Governance & Partnerships
Partnership Risks	Initiating Directorate

## **Health & Safety and Emergency Planning**

The Council has long established and effective processes for the management of risks falling within the Health & Safety and Emergency Planning areas of operation. The arrangements in place for these processes are not superseded by this strategy.

## **Business Continuity Management**

Although there are clear inter-dependences between Business Continuity Planning and Strategic Risk Management, the Council's Business Continuity Planning arrangements are dealt with separately to this Strategy (Business Continuity Plan).

## **Project Risks**

Projects risks can be managed using one, or a combination of the following risk management processes:

- Risk management techniques associated with the project management methodology used i.e. PRINCE2
- The Council's Strategic Risk Management Process

The size and scope of the project is likely to dictate the process best suited to managing the risks. However, all projects must undertake full risk assessments.

## Business Risks

The risk management process outlined within this strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (delivery of the Council's core objectives and corporate plans) and operational activities (delivery of actions identified in directorate service plans)

## Partnership Risks

Although there are clear inter-dependencies between Partnership Risks and Strategic Risk Management, the Council's partnership working arrangements are dealt with separately to this Strategy. (Partnership Protocol)

## 5. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks.



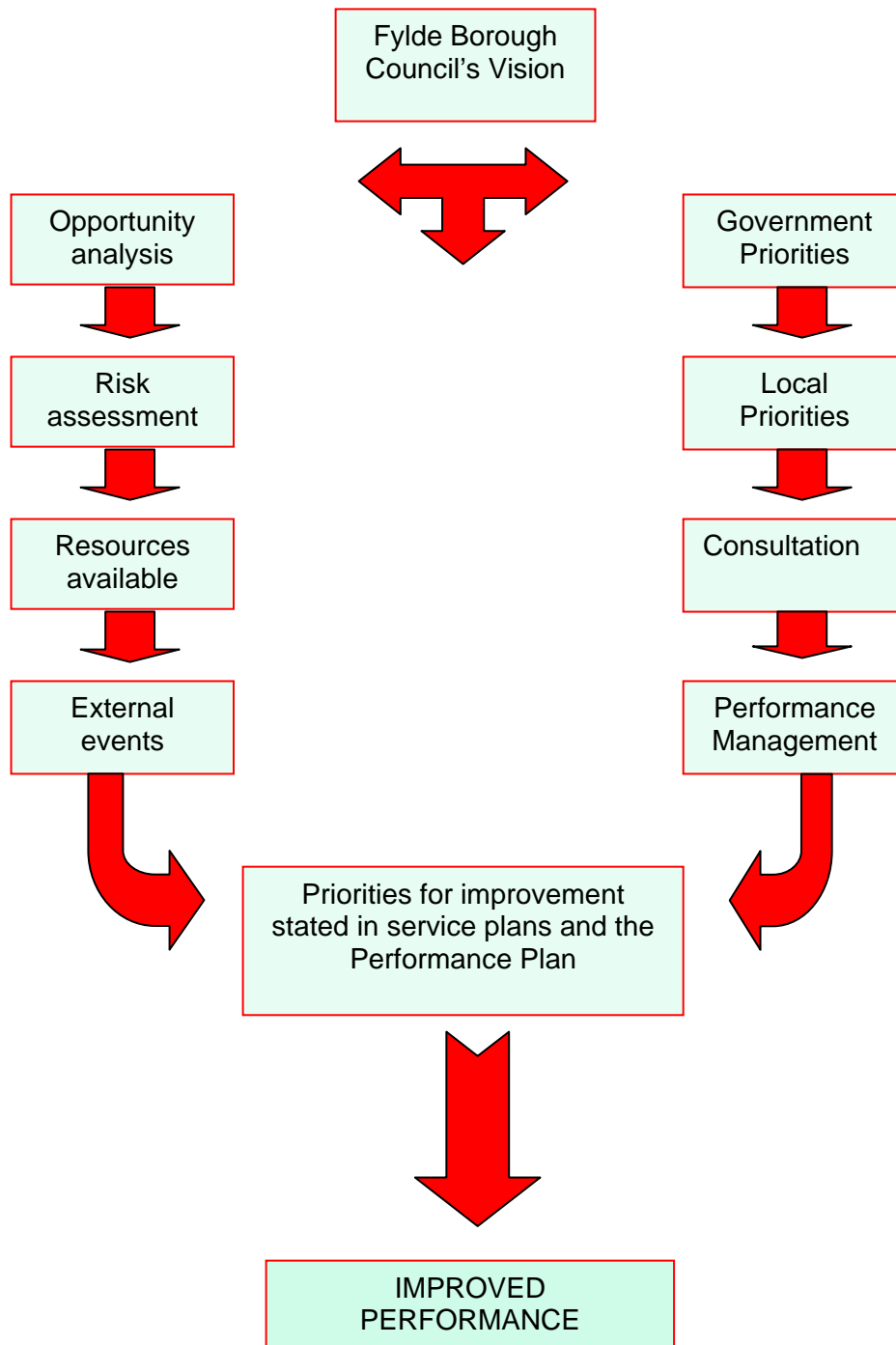
The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall service plans and the Corporate Plan. Relevant PI's are identified and then monitored through the developing performance management framework ensuring that the focus remains on achieving Fylde Borough Council's objectives

Step	Element	Activity Description
1	<b>Risk Identification</b>	Individual interviews are held in Dec / Jan each year with the Chief Executive, Directors, Council Leader/Deputy, Portfolio Holder, Member Risk Champion and Chairman/Vice Chairman of the Audit Committee to identify strategic risks facing the Council over the next 12 months. Specific consideration is given to risks and opportunities associated with the Council's core objectives and priorities.
2	<b>Risk Analysis</b>	The risks identified in step 1 are analysed and clustered around common areas. These are then written into scenarios by the Risk Management Officer and Chief Internal Audit that show the vulnerability, trigger and consequences of each risk type.
3	<b>Risk Priority</b>	The risk scenarios are presented to a Corporate Management Team workshop to decide if the risk presented is in fact valid, if it is it is prioritised on a 5x4 matrix measuring Likelihood against Impact. Once all the risks are plotted on the matrix the risk appetite line is added. All risks above the line are then actioned planned.
4	<b>Action Planning</b>	Each risk identified above the line is action planned. This process shows what action is already taken to mitigate the risk and identifies what further actions should be taken to reduce the risk to a more acceptable level by reducing the likelihood of the risk occurring or the impact if it does. Each risk is assigned to a Champion who oversees the implementation of the action plan

Step	Element	Activity Description
5	<b>Monitoring</b>	The strategic risk management group monitors progress on the implementation of the agreed action plans throughout the year to ensure that all actions are completed. If necessary it will recommend to the CMT that new risk are added to the Risk Register should the need arise during the year.
6	<b>Monitoring &amp; Review</b>	The whole process is monitored and reviewed on an annual basis. Once the outcomes of the current years activities are known the cycle starts over with interviews to Identify the risks for the next years risks register
7	<b>Operational Risk</b>	The managing of operational risks is conducted using the same framework but within each directorate. Operational Risks Registers are set up in each directorate and they are monitored by the directorate Risk Champion. Reports on the progress of the individual unit risk registers will be made to the operational risk management group as required by the directorate risk champions

## 6. How will it feed into our existing processes?

The information resulting from the process acts as one of eight key pieces of information that will be incorporated into the development of the service and Best Value Performance Plans. Risk management will become an essential element to establishing policy, developing plans and enhancing operational management.



Effective risk management may also be integrated into the existing Best Value guidance. It can help to narrow down the options for future service delivery. It can also be used as mechanism of identifying areas of service improvement.

The risk management methodology can also be adopted for individual projects and can be used to strengthen all decision-making processes.

## **Links to Corporate Governance**

Risk Management is part of the Council's overall Corporate Governance arrangements:

**Governance** is the system by which the Council directs and controls its functions and relates to the Community. In other words, the way in which it manages its business, determines its strategy and objectives and how it goes about achieving its objectives. The fundamental principles are openness, integrity and accountability. The risk management strategy forms part of Fylde Borough Council's corporate governance arrangements. The other main elements are Internal Control, Performance Management, Health & Safety and Internal Audit.

**Internal Controls** are those elements of an organisation (including systems, resources, processes, culture, structure and tasks) that, taken together support people in the achievement of the Council's objectives. Internal financial control systems form part of the wider system of internal controls. The Council's internal controls forms part of its risk management process and have a key role to play in the management of significant risks to the fulfilment of its business objectives. For example all reports to non-regulatory committees where a decision is being recommended must have a risk assessment completed with the significant findings of the risk assessment included in the report. The report should also identify the risk register in which the risks and required risk mitigation actions will be entered and monitored. If it is considered that a risk assessment is not appropriate this information must be included reported.

**Performance Management** and risk management are closely aligned. The Council's Performance Management process closely mirrors the Risk Management process.

The **Health & Safety** policy of the Council is a key component of the Council's structure of controls contributing to the management and effective control of risks affecting staff, contractors, volunteers, service users and the general public.

**Internal Audit** is a major component of the Council's system of controls protecting its financial and other physical assets. The risk management process in turn serves the Internal Audit function by enabling it to identify areas of high risk, and so target its resources more effectively.

## 7. How will this be implemented?

A detailed implementation plan has been developed to support the strategy. The following is a summary of the overall timetable:

Action	Timescale	Responsibility of
Corporate assessment and prioritisation of risks	Feb/Mar each year	Corporate Management Team
Develop strategy, report to CMT and recommend for approval by members. Report % achievement of previous years Risk Actions	End of June each year	Insurance & Risk Management Officer
Raise awareness of risk management as an effective management tool	ongoing	Insurance & Risk Management Officer
Directorate service plans -assessment and prioritisation of risks	Feb/Mar each year	Directorate Risk Teams
Report to Audit Committee on progress on the current years Risk Actions contained in the Risk Register	Jan each year	Insurance & Risk Management Officer

## 8. What are the different roles and responsibilities?

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process: -

<b>Role</b>	<b>Responsibilities</b>
<b>The Audit Committee</b>	<ul style="list-style-type: none"> <li>➤ Overseeing effective risk management across the Council</li> <li>➤ Agreeing Fylde Borough Council's Risk Management Strategy</li> <li>➤ Ensuring that risk management is delivered by the Director of Governance &amp; Partnerships on behalf of the Council</li> <li>➤ Ensuring that a Strategic Risk Register, including details of actions taken to mitigate the risks identified, is established and regularly monitored</li> <li>➤ Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually</li> <li>➤ Seeking assurances that action is being taken on risk related issues identified</li> <li>➤ Facilitating a risk management culture across the Council</li> </ul>
<b>Leader</b>	<ul style="list-style-type: none"> <li>➤ Appointing a Member with responsibility for Risk Management within the cabinet</li> </ul>
<b>Chief Executive &amp; Corporate Management Team</b>	<ul style="list-style-type: none"> <li>➤ Leading risk management across the Council, with the Director of Governance &amp; Partnerships as the designated CMT lead on Risk</li> <li>➤ Advising members on effective risk management and ensuring that they receive regular monitoring reports</li> <li>➤ Recommending a Risk Management Strategy to Members of the Audit Committee</li> <li>➤ Identifying and managing the business risks and opportunities facing the Council</li> <li>➤ Co-ordinating risk management across the Council</li> <li>➤ Being responsible for ensuring that the Council fully complies with all corporate governance requirements, including the Annual Statement of Internal Control</li> </ul>



Role	Responsibilities
<b>Directors</b>	<p>Directors will demonstrate their commitment to risk management through: -</p> <ul style="list-style-type: none"> <li>➤ Ensuring that risk management within their directorate is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management</li> <li>➤ Ensuring partnerships initiated by their directorates are constituted in accordance with the Partnerships Protocol</li> <li>➤ Appoint a risk champion who is authorised to progress effective risk management throughout their directorate that adheres to corporate guidelines</li> <li>➤ Identifying and managing risks within their directorate and ensuring that mitigation actions are regularly reported.</li> <li>➤ Identifying, analysing, prioritising, and action planning risks arising from their business area</li> <li>➤ Balancing an acceptable level of operational risk against programme and project objectives and business opportunity</li> <li>➤ Reporting systematically and promptly to the Corporate Management Team any perceived new risk or failures of existing control measures</li> <li>➤ Attending the Strategic Risk Management Group</li> </ul>
<b>Risk Champions</b>	<ul style="list-style-type: none"> <li>➤ Acting as the main contact for their directorate on risk matters, and ensuring that corporate information and requirements are communicated to the directorate</li> <li>➤ Progressing across their directorate effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met</li> <li>➤ Representing their directorate at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Director</li> <li>➤ Provide the Operational Risk Management Group with reports on the status of their directorate's Risk Register and progress made on implementing the unit risk action plan.</li> <li>➤ Providing support on risk management to Directors and middle managers within their directorate</li> <li>➤ Promoting the benefits of risk management across the directorate</li> <li>➤ Maintaining, on behalf of Director a Risk Register that complies with corporate guidelines</li> </ul>

<b>Role</b>	<b>Responsibilities</b>
<b>Heads of Service</b>	<ul style="list-style-type: none"> <li>➤ Communicating to staff the corporate approach to risk management</li> <li>➤ Identifying the risk management training needed by staff, and reporting this to the directorate Risk Champion</li> <li>➤ Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>➤ Understanding their accountability for individual risks</li> <li>➤ Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>➤ Auditing the key elements of the Council's Risk Management Process</li> <li>➤ Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan</li> <li>➤ Ensuring that internal controls are robust and operating correctly</li> </ul>
<b>Risk Management Groups</b>	<p>The purpose of the risk management groups is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues. The Groups will also:</p> <ul style="list-style-type: none"> <li>➤ Promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures</li> <li>➤ Ensure that risk management is seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing".</li> <li>➤ Investigate issues referred to it by the Corporate Management Team and report back in a timely manner</li> <li>➤ Standardise procedures and practices to reduce property and liability losses and claims</li> <li>➤ Advise Corporate Management Team on risk management issues referred to it by individual directorates.</li> <li>➤ Receive reports from the Risk Management Officer and Directorate Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.</li> </ul>

Role	Responsibilities
<b>Risk Management Groups</b>	<ul style="list-style-type: none"> <li>➤ Adopt SMART reporting techniques for all issues sent to the group from whatever source</li> <li>➤ Introduce more sophisticated systems to analyse and forecast losses</li> <li>➤ Investigate the feasibility of allocating risk costs in line with the risk features of each budget holder</li> <li>➤ Use deductibles or self-insurance where financially beneficial to provide a vested interest in loss control. Dependence on insurance will be reduced and cover sought on a 'value for money' basis, seeking cover where financially prudent</li> <li>➤ Wherever possible, improve risk management information and investigative procedures within the authority</li> </ul> <p>The terms of reference for the risk management group is attached at <a href="#">appendix B</a></p>
<b>Insurance, Risk Management &amp; Business Continuity Officer</b>	<ul style="list-style-type: none"> <li>➤ Provide advice and guidance on insurable risks</li> <li>➤ Provide strategic direction on the Council's approach to risk management</li> <li>➤ Ensure effective liaison between risk areas (see table on page 6)</li> <li>➤ Co-ordinating the Council's approach to risk management</li> <li>➤ Provide advice to the Council on risks arising from partnership working, and possible mitigation actions such as use of Service Level Agreements</li> <li>➤ Report on the status of the Council's Corporate Risk Register and the implementation of the associated action plans</li> </ul>

## 9. How will the monitoring and reporting of risk management happen?

A framework of monitoring and reporting will be established that will allow: -

- An annual review of the risk management strategy by CMT approved by the Audit Committee
- Monitoring of the effective management of risks through developing performance management mechanisms including regular reporting on service and corporate performance indicators to CMT and members.
- An annual review of the overall process and a report to CMT and members on the effectiveness of risk management and internal control by Internal Audit.

An annual report to the Audit Committee outlining the effectiveness of the strategic and operational risk management actions undertaken as part of the Corporate and individual Directorate Risk Registers. The ultimate measure of effective risk management is that the Council:

- has resilience to deliver its services and core objectives
- is protected from the possibility of being impacted by an unforeseen risk
- is protected from the possibility of a foreseen risk having significantly greater impact than anticipated
- is able to take cost-effective measures to reduce or eliminate the effects of negative risk
- is able to identify, and take maximum advantage of, the occurrence of positive risk.

## 10. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.

The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This should be achieved in part by making risk management part of existing processes and reviews rather than treating it as a separate function.

### Risk Management Policy Statement

The diversity of services offered by the Council presents a vast potential for personal injury, loss and damage. It is essential for the Council to develop Risk Management programmes which ensure that, in discharging its responsibilities to the citizens, the likelihood of personal injury and loss or damage to physical assets is minimised by means of anticipating and controlling our exposure to risk.

Accordingly it is the responsibility of every member of staff to identify, analyse, eliminate and control exposure to risk and to minimise such losses as they may occur. The purpose of the risk management policy is to achieve the following:

1. To support operating units in their efforts to appraise the risks to which they are exposed.
2. To provide advice through networks of specialists.
3. To provide guidance on best practice in loss control.
4. To motivate managers and others to manage risk effectively.
5. To provide incentives in order to increase the level of risk management.
6. To ensure that adequate risk financing is available.

The Council's Strategic and Operational Risk Management Groups are fundamental to this process. Elected Members, the Chief Executive, Directors and staff of all directorates must be fully supportive of the initiative.

It is the responsibility of every directorate to implement a sound Risk Management strategy. Management at directorate and cost centre level has the responsibility and accountability for managing the risks to which their area is exposed.

This philosophy has the support of the Council which recognises that any reduction in injury, illness or damage benefits the whole community.

# Strategic & Operational Risk Management Groups – Terms of Reference

### Meetings

The risk management groups will meet on a regular basis; however the Chairman of either group may call extra meetings or cancel as necessary.

### Chairmanship

The Chairmen of the Groups will normally appointed by the CMT.

### Secretary

The Secretary of the Groups will normally be the Insurance and Risk Management Officer.

### Membership of the Groups

Every directorate will be represented on the each Group. Each directorate will nominate a senior member of the directorate to represent the directorate on the group. Directorate membership should, where possible, be rotated over a cycle of a number of meetings so that risk management is promoted to as many senior officers as possible. Additional staff members may attend the meeting where it is considered beneficial to have their input on matters being discussed.

### Purpose, Focus and Scope of the Risk Management Group

- The purpose of the risk management group is to promote good practice on risk management across the Authority and act as a “Champion” on risk management issues.
- The group should promote the “positive” effects that good risk management can have when embedded into all Council policies and procedures.
- Risk management should be seen as a tool to “make things happen” in a safe and beneficial way, not a process used to “stop things from progressing”.
- The risk management group should investigate issues referred to it by the Corporate Management Team and report back in a timely manner.
- The group should also advise Corporate Management Team on risk management issues referred to it by directorates.
- The group should adopt SMART reporting techniques for all issues sent to the group from whatever source.
- The Strategic Risk Management Group manages Corporate risks which affect the Council’s ability to fulfil its Corporate Objectives and is concerned with major Business risk.
- The Operational Risk Management Group will manage Operational risks which affect the Council’s ability to run its day to day services.

### Minutes and Reports

Minutes of meetings should be kept and the Chairman of each Group should present these to the Corporate Management Team at the next available meeting. All reports issued by the groups should also be reported to CMT. Once minutes and reports are approved by the CMT they should be posted onto the risk management page of the Intranet.



## Strategic Risk Register 2010/2011

# Risk Management Action Plan No:1

2010/11 Risk Register

Champion – Director of Strategic Development Services

<b>St Annes Pool</b>	<b>Description:</b> Risks involved in the Re-opening of St Annes Pool
<b>Council Objective</b>	<b>To Promote Cohesive Communities</b>

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Tender evaluation		Final report need to clearly & precisely indentify detailed risks to Fylde Borough Council	Paul Walker/Allan Williams	Report received by Cabinet and resolution agreed	One off	Apr 10
External verification/Technical assistance		Finalisation of agreed heads of terms including operating protocol	Paul Walker/Gary Sams	Heads of terms agreed in line with Cabinet resolution	One off	Jun 10
Technical assessment of facility		Award of contract/partnership arrangements	Paul Walker/Ian Curtis	Contract entered into with Operator	One off	Jul 10
Financial provision in MTFS – capital /revenue		Successful re-commissioning of refurbishment works at pool & handover	Paul Walker/Andrew Dickson	Works completed and facility handed over	One off	Aug 10
Identified & highlighted principle risks to decision makers		Governance – Client role/monitoring regime in place	Paul Walker/Clare Platt	Arrangements agreed and in place	Sept 2011	Sep 10



# Risk Management Action Plan No:2

## Champion – Director of Community Services

# 2010/11 Risk Register

<b>Transfer of Assets</b>	<b>Description:</b> Risks involved in the transfer of assets to town/parish councils
<b>Council Objective</b>	<b>Meet the Expectations of Our Customers</b>

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Reports to cabinet		Successful bid for resources from RIEP	Phil Woodward	Successful bid		Jun 10
Position in principle established		Review options when outcome of community governance review known	Clare Platt	Operational / financial scenarios developed in light of outcome (CGR report to Council)		Jul 10
Community governance review in progress to test appetite for Borough wide parishing		Further report to Cabinet / Council	Clare Platt	Members make informed decision in terms of financial, legal & operational implications		Sep 10
Refining costs of open space maintenance						
Request for resources from RIEP						
Initial town / parish consultation						
Reports to cabinet						

# Risk Management Action Plan No:3

2010/11 Risk Register

Champion – Director of Customer & Operational Services

ICT Infrastructure	<b>Description:</b> Risks involved with the Council's ICT infrastructure
Council Objective	To meet the Expectations of our Customers

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Server room protected as far as possible		Identify infrastructure needs and costs for investment strategy for ICT	Andrew Marriott	Needs & costs recorded, verified and reported	N/A	Sep 10
Investment commenced		Clarify accommodation issue	Paul Walker	Accommodation signed for and in progress of being delivered	N/A	Mar 11
Procuring external expertise		Explore further external resource opportunities	Allan Oldfield / Andrew Marriott	Outcome of discussions with potential partners	Monthly	Oct 10
IT reserve established		Set up strategic body for IT/Systems administration	Andrew Marriott	Corporate Group Established	N/A	May 10
Off-site back up systems						
Code of Connection compliant						
Web development external funding acquired						

# Risk Management Action Plan No:4

## Champion – Chief Executive

# 2010/11 Risk Register

<b>Capacity Issues</b>	<b>Description:</b> Insufficient capacity will not allow the Council to achieve its objectives
<b>Council Objective</b>	<b>To meet the expectations of our customers</b>

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Service Plans/Corporate Plan		Continue to evaluate shared services opportunities	Dir of Customer & Operational Services	FBC has considered its further involvement in the Lancashire Strategic Partnering proposals	One off	Dec 10
Staff appraisals		Provide support to the new Fylde Coast EDC	Dir of Strategic Development	Fylde-related regeneration issues are incorporated into business plan of EDC.	Annually	Oct 10
Restructure realigned capacity		Prioritisation of future resources – scenario planning with members	Dir of Governance & Partnerships (S 151 officer)	Hold quarterly workshops for cabinet and MT (to include O & S chairs at every other meeting)	Quarterly	Jun 10
BRP Programme						
Shared services arrangements – increased capacity						
LCC Strategic Partnership – IT, Customer services etc.						
Cabinet & M T away days						

# Risk Management Action Plan No:5

# 2010/11 Risk Register

## Champion – Director of Customer and Operational Services

Waste Management Post 2012	<b>Description:</b> Risks involved in the operation of the waste collection services post 2012
Council Objective	<b>To Promote the Enhancement of the Natural &amp; Built Environment</b>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Modernisation strategy agreed by management	Review impact on MTFS if status quo on contract not continued beyond 2012	Allan Oldfield	Contract profit delivered Reserve established	Quarterly Annual	Apr 12
Position on depot agreed – rationalisation	Implement modernisation strategy	Allan Oldfield / Jamie Dixon	Working arrangements changed	Monthly	Sep 10
Regular dialogue with WBC	Implement modernisation strategy	Allan Oldfield / Jamie Dixon	Bartec solution	Monthly	Oct 10
MTFS agreed earmarked reserve	Implement modernisation strategy	Allan Oldfield / Jamie Dixon	FMS relocation	Monthly	Apr 11
Agreed service developments for PFI – collection changes	Implement modernisation strategy	Allan Oldfield / Jamie Dixon	Depot Improvements	Monthly	Jun 10
Shared service arrangement offered to WBC post 2012	FBC Solutions – potential provider role (RIEP)	Phil Woodward via NWEIP support	Clarification of role and use of FBC solutions	Bi - Monthly	Dec 10
Fixed term contracts arrangements in Wyre area					
Increased investment in vehicles					
In-cab technology					

# Risk Management Action Plan No:6

## Champion – Chief Executive

# 2010/11 Risk Register

<b>Staff Issues</b>	<b>Description:</b> Service delivery inertia brought about by organisational change
<b>Council Objective</b>	<b>To meet the expectations of our customers</b>

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Communications – Improved Grapevine		Staff engagement (Communication re Destination Report)	Ch Exec	Series of staff briefing workshops held	One off	Jul 10
Intranet		Staff survey – reformatted	Dir of Customer & Operational Services	Staff survey undertaken with minimum 60% return rate	One off	Dec 10
Flexible working policy		Staff training & development and team building activities	Ch Exec	Annual schedule of meetings and workshops agreed for Mgmt Team & Heads of Service Group	One off	Jun 10
New Absence management policy		Staff training & development and team building activities	Dir of Customer & Operational Services	Management development programme agreed and underway for Heads of Service Group	One off	Jul 10
Reducing trend in sick leave in Operational Services		Staff training & development and team building activities	Ch Exec	Schedule of lunchtime briefing sessions with staffing groups agreed & underway.	One off	Sep 10
Completion of staff restructure						
No staff reductions assumed in budget 2010/11						
JE implemented successfully						
Established Heads of Service Group						
Performance Monitoring Group						
100% Club						
Workforce planning strategy						
Cycle purchase scheme						

# Risk Management Action Plan No:7

## Champion – Director of Governance & Partnerships

2010/11 Risk Register

<b>Finances</b>	<b>Description:</b> Risks involved in the Council's finances
<b>Council Objective</b>	<b>To meet the Expectations of our Customers</b>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Update MTFS on six monthly basis (inc all risks)	Update MTFS in line with Budget Framework & Budget setting timetable for 11/12	Joanna Scott	Reports to cabinet	6 mthly	Oct 10 & Mar 11
Monthly budget monitoring reports to budget holders	Scenario planning around public spending budget cuts from 11/12. MT to set out criteria & framework for MT & HOS	Phil Woodward / MT	Approach agreed for the cabinet and scrutiny committee to consider	6 mthly	Mar 11
Quarterly reports to members (portfolio holders/scrutiny)	Regular updates to HOS Group on MTFS – financial position	Paul O'Donoghue	Reports to Heads of Service	6 mthly	Jun 10 & Dec 10
Reserves & balances policy	Implement upgrades at Civica Including ICON; Wider roll out of Purchasing module; Refine Budget profiling	Paul O'Donoghue	Upgrade to Civica in place & operational	Ongoing	Mar 11
Access to civica ledger for budget holders	Budget briefings to members & officers and financial training undertaken	Joanna Scott / Paul O'Donoghue	Training & briefings undertaken in line with budget timetable for 11/12	Ongoing	Sep 10
External Audit scrutiny of closure process & A/C production					
Reports to members include financial issues					
Audit Committee					
Training on financial matters for members					

# Risk Management Action Plan No:8

2010/11 Risk Register

Champion – Director of Strategic Development Services

<b>Economic Conditions</b>	<b>Description:</b> Risks facing the Borough as a result of the continuing economic conditions
<b>Council Objective</b>	<b>To Promote a Thriving Economy</b>

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Corporate priority		Establish EDC with other MAA partners	Phil Woodward	EDC established and FBC signed up as a member	One off	Apr 10
MAA		Complete regeneration framework	Paul Drinnan	Regeneration Framework considered by Cabinet	One off	Sep 10
Reflected impact on budget through MTFS (income)		Secure funding for 2020 Vision	Paul Drinnan	Funding agreed	One off	Dec 10
Economic Wellbeing reserve/other reserves established		Liaison with major employers	LSP Enterprise and Employment Group	Ongoing engagement in key projects	Dec 2010	Dec 10
Working with businesses via LSP		Facilitate & evaluate events in line with budget provision	Paul Walker/Viv Wood	Successful events held	One off	Oct 10
Jobs fairs/Business advice events						
Chambers of trade meetings						
Small business support programme						
Freeze car parking charges/Xmas free						
Free parking in Kirkham						
Homeless prevention AP						
2020 Vision launched						

# Risk Management Action Plan No:9

## Champion – Clare Platt

# 2010/11 Risk Register

Temporary Accommodation	<b>Description:</b> Inability to meet national indicator / LAA target re. number of households in temporary accommodation at any time
Council Objective	Promote Cohesive Communities

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Bid for support from LSP		Bid for financial support from LSP	David Gillett	Successful bid for resources		May 10 (LSP Exec)
Adoption of homelessness strategy action plan		Continue measuring performance in relation to number of households in temporary accommodation	David Gillett	< 6 households in temporary accommodation at any time	Monthly	
BPR of homelessness assessment process		Implementation of homelessness prevention measures in relation to 'Invest to Save'	David Gillett	Sufficient financial resources to support homelessness prevention through 'Invest to Save'		Jun 10 (Cabinet meeting)
		Implementation of homelessness prevention measures in relation to mortgage rescue	David Gillett	Sufficient financial resources to support homelessness prevention through mortgage rescue		Jun 10 (Cabinet meeting)
		Implementation of recommendations from BPR process	David Gillett	Appropriate recommendations implemented, with additional resources identified if necessary.		Dec 10
		Implementation of homelessness strategy action plan in relation to provision of temporary / supported accommodation and work with Supporting People to utilise previously identified revenue provision	David Gillett	Sustainable provision of relevant accommodation and Supporting People funding secured for use in the Borough		Dec 10



# Risk Management Action Plan No:10

2010/11 Risk Register

Champion – Director of Strategic Development Services

Energy Efficiency	<b>Description:</b> Risks involved in managing the energy efficiency of the council's operations
Council Objective	<b>To Promote the Enhancement of the Natural &amp; Built Environment</b>

Action/controls already in place		Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
Allocated responsibility to a specific manager		Conclude review of accommodation needs	Paul Walker/Andrew Dickson	Review completed and Cabinet resolution	One off	Sep 10
Reassessment of utility usage		Agree council's energy management plan	Andrew Dickson/Andrew Loynd	Energy and resource management plan prepared and considered by Cabinet	Sept 2011	Oct 10
Car Mileage policy		Management of new part L building regs from 1/4/10	Andrew Dickson	New regulations in place and monitored	One off	Apr 10
LCC Climate change charter – signed up						
FLowE						
Private sector housing policy – thermal comfort						
Modernisation of fleet						

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
DIRECTOR OF GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	24 JUNE 2010	7

## ANNUAL GOVERNANCE STATEMENT

### Public item

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

### Summary

The report presents the Annual Governance Statement prepared under the CIPFA/SOLACE framework the local code of corporate governance for approval.

### Recommendation

1. Approve the Annual Governance Statement for signature by the chairman.

### Reasons for recommendation

To meet the statutory requirement for the Council to approve an Annual Governance Statement

### Alternative options considered and rejected

There are no alternative options available

### Cabinet portfolio

The item falls within the following cabinet portfolio: Finance and Resources – Councillor Roger Small

## **Report**

1. A sound system of corporate governance underpins the achievement of all the Council's corporate objectives. It is central to ensuring that the Council is a high performing organisation and forms a significant element of the Comprehensive Performance Assessment (CPA) and Use of Resources assessment regimes.
2. The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Fylde Borough Council has complied with the code and shows how the effectiveness of governance arrangements have been monitored during the year.
3. The preparation and publication of an annual governance statement is necessary to comply with Regulation 4(3) of the Accounts and Audit Regulations 2003, which requires authorities to prepare a statement of internal control in accordance with "proper practices". The CIPFA/SOLACE guidance identifies the production of an annual governance statement in accordance with the guidance as "proper practices".

## **Summary of the local code**

4. According to the CIPFA/SOLACE guidance, "governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities".
5. The council's code adopts the following six core principles from the CIPFA/SOLACE guidance which underpin the council's system of governance
  - Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting the values of the authority and demonstrating the values of good governance through behaviour
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively
  - Engaging with local people and other stakeholders to ensure robust local public accountability.
6. The code requires the Council to:
  - consider the extent to which it complies with the above six core principles and requirements of good governance set out in the Framework;

- identify systems, processes and documentation that provide evidence of compliance;
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
- identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
- identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

7. The Local Code describes the arrangements that have been or are being established within the Council to comply with the requirements and these are summarised below.

### **Annual Governance Statement**

8. Under each core principle, the code identifies a series of sub-principles, which in total provide a 63-point checklist. The Corporate Governance Group, consisting of the Chief Executive, the Director of Governance and Partnerships, the Section 151 officer, the Head of Internal Audit and the Head of Governance, or the nominee of each such officer, has conducted a detailed self-assessment of the council's governance against this checklist.
9. The council must publish the results of this self-assessment, including any significant non-compliance issues, as part of its Annual Governance Statement alongside the annual accounts.
10. The governance statement is attached to this report and is presented for approval by the committee. It will, if approved, be signed by the chairman of the committee, the council leader, the chief executive, the section 151 officer and the monitoring officer.
11. The Corporate Governance Group will draw up an action plan for future approval by the committee to meet the issues identified in the governance statement.

<b>IMPLICATIONS</b>	
Finance	The Code of Corporate Governance is a key component of the council's commitment to sound financial systems.
Legal	The preparation of a code of governance and an annual governance statement complying with the CIPFA/SOLACE guidance is effectively a legal requirement under the Accounts and Audit Regulations 2003.
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None

Health & Safety and Risk Management	Good risk management is crucial to proper corporate governance, as the code and the CIPFA/SOLACE guidance make clear.
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REPORT AUTHOR	TEL	DATE	DOC ID
Tracy Scholes	(01253) 658521	10 June 2010	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
Code of Corporate Governance	April 2008	Town Hall, St Annes
Directorate assurance statements	2009/10	Town Hall, St Annes

### **Attached documents**

Annual Governance Statement

# **ANNUAL GOVERNANCE STATEMENT 2010**

## **Scope of responsibility**

Fylde Borough Council is responsible for ensuring that its 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. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. A copy of the code is on our website at [www.fylde.gov.uk](http://www.fylde.gov.uk) or can be obtained from the Town Hall, St Annes Road West, St Annes. This statement explains how the council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

## **The purpose of the governance framework**

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The governance framework has been in place at the Fylde Borough Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

## **The governance environment**

### Principles

The council has adopted a code of corporate governance ("the Code") and recognises that effective governance is achieved through the core principles enshrined in it. These are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively
6. Engaging with local people and other stakeholders to ensure robust accountability

The council's corporate governance environment comprises a multitude of systems and processes designed to regulate, monitor and control the various activities of the authority in its pursuit of its vision and objectives. The following describes the key elements:

### Constitution

The Council's constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution also identifies the principal obligations and functions of the council.

The constitution and its appendices clearly explain how the different elements of the council interact and work together. It sets out procedure rules to which members and officers must adhere, codes of conduct and protocols. The constitution builds on model constitutions and guidance maintained by the Department for Communities and Local Government.

The monitoring officer has a standing obligation to keep the operation of the constitution under review and recommend any changes to help better achieve its

objectives. The constitution is also presented annually to the council for re-adoption and updating to ensure that it remains relevant to its purposes.

### Political structure

The council, meeting as a body, is responsible under the constitution and the Local Government Act 2000 for setting the policy framework and the budget for the authority. It also exercises certain other functions that are reserved to it. The council appoints, and can remove, the council leader.

The council meeting also acts as a channel for executive accountability through mechanisms such as notices of motion and cabinet questions.

The authority operates a leader and cabinet form of executive comprising the council leader and six other cabinet members. The role of the cabinet, as set out in the constitution and relevant legislation, is to be responsible for those matters not expressly reserved to the council meeting.

Meetings of the Cabinet are open to the public even when not required to by legislation, except where personal or confidential matters may be disclosed. Public platform has also been introduced during the course of the year, allowing members of the public to make a point and seek to have it addressed during the course of the meeting. Members of the council who are not members of the cabinet can ask questions at cabinet meetings. This helps ensure robust accountability of cabinet decisions.

Accountability of cabinet decisions is also achieved through scrutiny mechanisms, including the ability of a scrutiny committee to call-in a Cabinet decision, and by the power of the full council meeting to remove the council leader.

In addition to the statutory Forward Plan of key decisions to be taken by the cabinet, the Council publishes forward plans showing non-key decisions to be taken by the Cabinet and business expected to be considered by scrutiny committees, Audit Committee and the full council. Each plan gives details of when decisions are expected to be made, who will take the decision, who will be consulted before the decision is made and how representations can be made.

The Council has established two overview and scrutiny committees to assist the cabinet in policy development and review, to scrutinise decisions made by the Cabinet and analyse the performance of the Council in meeting its policy objectives and performance targets. The work of the Committees is co-ordinated by a Scrutiny Management Board consisting of the chairmen and vice chairmen of the overview and scrutiny committees.



The Council's Standards Committee deals with all aspects of advice and guidance for Members on matters of conduct, ethics, propriety and declaration of interest. It also assesses, oversees and determines complaints made against Members under the Code of Conduct. The Committee has five independent persons appointed to it. An independent person chairs the committee and all of its subcommittees.

The Committee is a point of reference for the Monitoring Officer who investigates or arranges for the investigation of any allegations of misconduct in accordance with agreed procedures and statutory regulations.

The monitoring and performance of the Council's assurance and governance framework is led by the Council's Audit Committee. This is a committee independent of the executive and scrutiny processes and reports directly to Council. The committee has the responsibility to ensure that the monitoring and probity of the Council's governance framework is undertaken to the highest standard and in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines.

Decisions on planning, licensing and other regulatory or quasi-judicial matters are taken by committees of the council in accordance with the principles of fairness and natural justice and, where applicable, article 6 of the European Convention on Human Rights. Such committees always have access to legal and other professional advice.

### Officer structure

The authority implements its priorities, objectives and decisions through officers, partnerships and other bodies. Officers can also make some decisions on behalf of the authority.

The Chief Executive is designated as the head of the authority's paid service. As such, legislation and the constitution make him responsible for the corporate and overall strategic management of the authority. He is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

The Council has designated its Head of Governance as Monitoring Officer. The Monitoring officer must ensure compliance with established policies, procedures, laws and regulations. He must report to the full Council or cabinet as appropriate if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council has designated the Head of Finance at Preston City Council as the officer responsible for the proper administration of its financial affairs in accordance with Section 151 of the Local Government Act 1972. The principal responsibilities of this officer include financial management, reporting and monitoring financial information, ensuring compliance with financial codes of practice including the Accounts and Audit Regulations 2003.

Four directors report to the chief executive and collectively form the authority's management team. The Management Team assists the Chief Executive with the strategic and overall management of the organisation. The constitution makes it responsible for overseeing and co-ordinating the management, performance and strategic priorities of the authority within the agreed policy framework and budget. Each member of the management team takes lead responsibility for major elements of the authority's business and manages a business unit.

The Management Team collectively and individually are responsible for securing the economical, effective and efficient use of resources as required by the duty of best value.

Powers delegated to each member of management team are documented in the constitution.

The Council maintains an independent Internal Audit Service, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom'.

A Corporate Governance Group has been established to co-ordinate the receipt and actioning of reports from the various sources of audit and inspection. The group also is responsible to the Audit Committee and Management Team and to compile, maintain and monitor the Code.

### Operational

The Corporate Plan establishes Fylde Borough Council's corporate priorities and reflects the Council's principal statutory obligations. Performance against the plan is supported by a performance management system.

The financial management of the authority is conducted in accordance with the Financial Regulations set out in Appendix 4 of the Constitution. The Council has in place a Medium Term Financial Strategy, updated annually, to support the aims of the Corporate Plan.

The Council ensures continuous improvement in the economy, efficiency and effectiveness of services through the annual service and financial planning process. All services are reviewed annually to ensure that they meet the needs of customers and that performance targets for quality improvements are set and

monitored. The Medium Term Financial Strategy includes targets for efficiency savings, to be met across all service areas.

Annual budgets are set by the Council in the context of the Medium Term Financial Strategy, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are clearly set out within Financial Regulations.

A robust process of financial monitoring is in place. Budgets are regularly reviewed, the regularity and depth of attention is linked to the risks associated with each budget area. The financial position of the Council is reported to the Management Team and the Cabinet. Corrective action is required where there is any indication of a likely variance against budget.

The Council has adopted a “Local Code of Corporate Governance” in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website.

The Council had adopted and implemented a Corporate Risk Management Strategy, which incorporates the identification and management of existing risks to the achievement of corporate objectives in accordance with recognised standards of control assurance. A Corporate Risk Register is in place and is monitored and regularly reviewed, combined with action planning for risks identified. Appropriate employees have been trained in the assessment, management and monitoring of risks.

A corporate Risk Management Group (RMG) has been established with an effective monitoring and reporting mechanism. A member of Management Team is the nominated chair of the RMG and the executive portfolio-holder and member risk champion attend group meetings.

The authority's risk management policy requires that officers understand and accept their responsibility for risk and for implementing appropriate controls to mitigate those risks. To this end, executive managers are required to incorporate a register of risks relevant to their unit within each unit's service plan.

Internal Audit provides in its annual report an independent and objective opinion on the effectiveness and operation of the internal control framework during the year. The Internal Audit Team is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by the team.

The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Council services are delivered by trained and experienced people. All posts have a detailed job description and person specification and training needs are identified through the Personal Development Appraisal Scheme.

In addition the Council has comprehensive policies and procedures in place, which provide the framework for the operation of its services and ensure that its actions and decisions are undertaken within the framework of effective internal control.

The authority has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Policy provides the opportunity for anyone to report their concerns confidentially and enable these to be investigated impartially. The authority is committed to working in partnership with public private and voluntary sector organisations where this will enhance its ability to achieve its identified aims. The authority's Partnership Working Protocol has been developed and is applied to ensure that appropriate governance arrangements are in place with those partnerships to ensure that aims and objectives can be achieved.

### **Review of effectiveness**

The authority supplements the mandatory Audit Commission judgements on use of resources and direction of travel by annually assessing itself against the relevant criteria. This, together with the authority's own Performance Management Framework, provides the evidence needed to ensure a culture of continuous performance improvement.

Inherent within the review of internal control arrangements is the need to assess the extent of compliance with statutory requirements and the authority's rules and regulations, which includes not only its Financial and Contract Procedure Rules but also its Scheme of Delegation, and Codes of Conduct. In addition, the Head of Internal Audit is required to produce an Annual Report and provide an opinion on the effectiveness of the authority's internal control system.

Fylde Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Corporate Governance Group, which comprises the Section 151 Officer, the Monitoring Officer, the Director of Governance and Partnerships and the Head of Internal Audit, has been given the responsibility to annually review the Corporate Governance Framework and to report to Audit Committee on the adequacy and effectiveness of the Code and the extent of compliance with it.

The review of effectiveness is informed by the work of the directors within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by

comments made by the external auditors and other review agencies and inspectorates.

The Group has also received unit assurance statements from each of the authority's directorates. These assurance statements show the extent of compliance within the unit concerned with key corporate procedures designed to embed good governance and internal control. In addition, the group has taken account of external assurance sources including the external auditor's Annual Audit Letter, Use of Resources scored assessment and interim report.

In accordance with the Accounts and Audit (Amendment) Regulations 2006, a review of the system of internal audit has been carried out by the Council's external auditors against the Code of Practice for Internal Audit in Local Government and the results reported to the Audit Committee. The review concluded that internal audit met the appropriate professional standards required by the Code.

Internal Audit has carried out an annual programme of reviews as approved by the Audit Committee. The managers of the services and functions reviewed have each agreed actions and priorities arising from the review and the achievement of those actions is monitored on an ongoing basis by the authority's internal audit service. Any significant failure to achieve agreed actions is reported to the Audit Committee, who can require an explanation from the director concerned.

The Strategic Risk Management Group meets regularly to review achievement of control measures in relation to strategic risks identified in the annual risk identification exercise. In addition, Internal Audit now carries out an annual review of the Risk Management Framework in accordance with the terms of the Risk Management Policy.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is set out below.

### **Significant Governance Issues**

Building on 2009/10 improvements the Council has identified the following areas where it wishes to see improvements in 2010/11:

1. An effective corporate framework for project management will be adopted and utilised in future for all major schemes and developments to secure the successful achievement of specified goals and objectives
2. Within a context of rising financial pressures services will be prioritised strategically against reducing budgets available

3. The development of corporate purchasing arrangements will be finalised with the roll out of the Civica purchasing module on an authority-wide basis
4. Data Protection 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
5. Information governance arrangements will be reviewed and enhanced to ensure they support the Council's regulatory, legal, risk and operational requirements
6. Procurement arrangements will be further enhanced to achieve best value and effective use of resources

*On the basis of the work carried out, which has been reviewed by the Audit Committee, we are satisfied that the Governance Framework is effective. We propose over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.*

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS DIRECTOR	AUDIT COMMITTEE	24 June 2010	8

## CORPORATE GOVERNANCE IMPROVEMENT PLAN

### 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 Action Plan.

The Audit Committee has previously reviewed progress against the Action Plan and requested an update against the actions for its June meeting.

### Recommendations

That the committee notes the latest position on actions included within the 2009/10 Corporate Governance Improvement Action Plan 2009/10.

### Reasons for recommendation

The report indicates the current position

### Alternative options considered and rejected

The report is for information and comment only

## Cabinet Portfolio

The item falls within the following Cabinet portfolio:

Finance and Efficiency: Councillor Roger Small

### Report

1. The Annual Governance Statement for the year ended 31 March 2010, together with associated improvement actions, was adopted in June of last year.
2. It is the responsibility of the Audit Committee to keep the improvement actions under review and an Improvement Plan is attached showing the latest progress. An update on progress was requested for the June meeting.

Report Author	Tel	Date	Doc ID
Tracy Scholes	(01253) 658521	10 June 2010	

List of Background Papers		
Name of document	Date	Where available for inspection
Improvement Plan		Attached as an appendix

### **Attached documents**

As above

IMPLICATIONS	
Finance	Implications outlined in action plan
Legal	No direct implications
Community Safety	No direct implications
Human Rights and Equalities	No direct implications
Sustainability and Environmental Impact	No direct implications
Health & Safety and Risk Management	No direct implications



## Corporate Governance Improvement Plan 2009/10 **Appendix**

SIGNIFICANT GOVERNANCE ISSUES		AGREED IMPROVEMENT PLAN			
Objective	Action	Officer	Date	Status	Comment
AGS 1. The Council will work further to implement the Council's Medium Term Financial Strategy (MTFS) ensuring that the level of reserves are reviewed and maintained and that budgetary control procedures are enhanced during the course of the year.	1. The minimum level of reserves will be maintained at £750k. throughout the financial year	S 151 Officer	Mar 10	Completed	The current level of reserves is above the target minimum and anticipated to remain so for the financial year.
	2. Budgetary control procedures will incorporate: <ul style="list-style-type: none"> <li>Monthly budget monitoring reports to budget holders</li> <li>Quarterly 'Hotspot' budget monitoring reports to portfolio holders</li> <li>Both monthly and quarterly reports will feed into the MTFS</li> </ul>	POD	Sep 09	Completed	Budget monitoring procedures are in accordance with the action as specified.
AGS 2. The Council will ensure that the purchase ordering system, which comprises part of the financial management system CIVICA, is embedded.	3. The purchase ordering system will be: <ul style="list-style-type: none"> <li>piloted in IT and Finance</li> <li>rolled out across the authority</li> <li>embedded within the financial management system</li> </ul>	POD	Dec 10 Jan 10	2009 pilot completed - ongoing	The purchase ordering module of the CIVICA financial management system has been successfully piloted in the IT and Finance team and is now being rolled out across the council.
AGS 3. The Council will continue to build on recent Value for Money (VFM) work to ensure the relationship of cost, outcomes and performance is understood and used to improve and drive quality, efficiency and inform commissioning decisions.	4. The service planning template will be upgraded to emphasise the requirement to benchmark services to assist in the assessment of VFM.	TS	Nov 09	Completed	Waste Management Modernisation Pilot recommended and approved by Cabinet.  The Scrutiny review is an ongoing process without an target end-date
	5. During service planning each Director will be required to identify two areas for VFM review annually to drive efficiency improvements.	MT	Jan 10	Completed	
	6. Scrutiny will undertake a rolling review of all shared service arrangements including VFM.	MT	N/A	2009 reviews complete - ongoing	
	7. Hotspot budget monitoring reports will be reported to Scrutiny to coincide with performance reports to improve knowledge of costs to outcomes and performance.	MT	Nov 09	Completed	

## Corporate Governance Improvement Plan 2009/10 **Appendix**

SIGNIFICANT GOVERNANCE ISSUES		AGREED IMPROVEMENT PLAN			
Objective	Action	Officer	Date	Status	Comment
AGS 4. The Council will revise the Capital Strategy and existing Asset Management Plan to provide an asset base fit for purpose, providing Value for Money and maximising the use of assets for the benefit of the community.	8. The Capital Strategy and existing Asset Management Plan will be revised to provide an asset base fit for purpose, providing VFM and maximising the use of assets for the benefit of the community.	PWa	Mar 10	Revisions Drafted - Pending Final Approval	Draft plans produced - consultations with Portfolio Holders taking place prior to final approval.
AGS 5. The Council will develop a framework to ensure that it is efficient in its use of natural resources and its impact on the environment.	9. The first draft of a framework to ensure the Council is efficient in its use of natural resources and sensitive to its impact on the environment will be developed.	AL	Mar 10	Complete	Framework report agreed by Cabinet. Resources have now been allocated to the development of the Energy Saving Trust framework programme across the range of the Council's activities.
AGS 6. The Council will further develop its HR/Organisation and Workforce Development Strategy to reflect current challenges such as sickness absence and ensure that sufficient investment is made into employee training.	10. The existing HR/Organisation and Workforce Development Strategy will be developed to reflect current challenges such as sickness absence.	AO	Mar 10	Completed	People Strategy approved by Cabinet Jan 2010 following two MT workshops to develop the strategy.
	11. The Attendance Management Policy will be introduced to strengthen measures that contribute to a consistent, supportive and fair approach to dealing with absence, and embedded.	AO	Jun 09	Completed	The Attendance Management Policy was introduced and effective from May 2009.
	12. Refresher training will be provided to managers in the consistent application of the new policy.	AO	Jun 09	Completed	Refresher training has been provided to managers in the application of the policy. Extensive guidance is available on the Intranet.
AGS 7. The Council will put in place more robust arrangements to engage with stakeholders in line with the Duty to Involve requirements ensuring that feedback is used to guide future service delivery and failures are addressed through a corporate complaints system.	13. A Communication & Consultation Strategy will be developed to secure effective communication and consultation with all stakeholders as an integral component in the decision-making and service delivery process.	TS	Jan 10	Completed	A Communication & Consultation Strategy has now been approved by Portfolio Holder.
	14. A corporate Complaints Procedure will be adopted which: <ul style="list-style-type: none"> <li>♦ is simple to use and equally accessible to all</li> <li>♦ gives customers confidence that their complaints are being dealt with effectively</li> <li>♦ takes action to solve problems and generates a positive attitude to feedback</li> <li>♦ generates a consistent approach to complaints throughout the Council</li> </ul>	AO	Sep 09	Completed	The new corporate Complaints Procedure was introduced and effective from August 2009.

# REPORT



REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	24 JUNE 2010	9

## INTERNAL AUDIT ANNUAL REPORT 2009-10

### Public Item

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

### Summary

The report summarises the work undertaken by internal audit from April 2009 to March 2010 and performance information for the same period. It includes an opinion on the soundness of the Council's internal control environment in support of the Annual Governance Statement.

The report meets the Head of Internal Audit's responsibility under the Code of Practice for Internal Audit in Local Government 2006.

### Recommendation

1. To approve the annual report of the Head of Internal Audit

### Reasons for recommendation

The report is principally informative and provided for the purpose of assurance.

### Alternative options considered and rejected

In accordance with the Audit Committee's terms of reference, no other course of action is available to the Committee

## **Cabinet Portfolio**

The item falls within the Finance & Resources portfolio (Councillor Roger Small)

### **1 Introduction**

#### **1.1 The Role of Internal Audit**

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of the Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance upon to assess its internal control system.

#### **1.2 Definition of Internal Audit**

Internal audit operates in compliance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The definition of internal audit, as described in the Code, is set out below:

- ♦ Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- ♦ Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

#### **1.3 Purposes of the Report**

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 1<sup>st</sup> April 2009 and 31<sup>st</sup> March 2010. In particular, assurance on the overall system of internal control is provided.

The report also summarises the activities of internal audit for the financial year 2009-10 to provide managers and members with the opportunity to review the service provided to the Council.

## **2 The Statement of Assurance**

### **2.1 Context**

2.1.1 The Council's internal auditors are required to provide the Audit Committee with assurance on the system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Audit Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

2.1.2 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

## **2.2 Internal Audit Opinion**

2.2.1 We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, control and governance processes.

2.2.2 In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2010, the Council has adequate and effective risk management, governance and internal control processes to manage the achievement of the authority's objectives.

## **2.3 Scope of the Internal Audit Opinion**

In arriving at our opinion, we have taken into account:

- ♦ The results of all internal audits undertaken during the year ended 31 March 2010 (see Table Two for details of the opinions given during the year);
- ♦ The results of follow-up action taken in respect of audits completed;
- ♦ Whether or not any fundamental or significant recommendations have not been accepted by management and the consequent risks;
- ♦ The affects of any material changes in the organisation's objectives or activities;
- ♦ Matters arising from previous reports to the Audit Committee and/or Authority;
- ♦ Whether or not any limitations have been placed on the scope of internal audit;
- ♦ Whether there have been any resource constraints imposed upon internal audit that may have impinged on the ability to meet the full internal audit needs of the organisation.

## **2.4 Basis of the Opinion**

2.4.1 In reaching this opinion the following factors were taken into particular consideration:

### Risk Management

2.4.2 The Council's risk management framework is established by the Risk Management Strategy. It provides information on the approach, responsibilities, processes and procedures and sets the context in terms of how risks will be identified, profiled, managed and reviewed. The Risk Management Group is fundamental to the process and meets regularly to ensure risk management remains high on the corporate agenda. There is also regular reporting to the Audit Committee, the elected member committee with responsibility for risk management. During the year a follow up review of the risk management audit carried out in 2008/09 indicated that 100% of agreed recommendations had been implemented, endorsing the substantial assurance provided that the controls in operation were adequate and were being applied.

### Governance

2.4.3 During the year, in accordance with the Accounts and Audit Regulations, an independent and reciprocal peer review of the council's system of internal audit was carried out by the internal audit manager of Wyre BC. The review concluded that the internal audit service achieved substantial compliance with the Code of Internal Audit Practice in Local Government 2006. In addition, a review of the effectiveness of the Audit Committee was also concluded providing high levels of assurance.

2.4.4 A self assessment exercise was undertaken by the Chair and Vice Chair of the Audit Committee in relation to the effectiveness of the Committee. The main conclusion drawn from the self assessment was that the Audit Committee had the framework in place to act effectively and did so in practice. However, four best practice recommendations for improvement were made. These were all implemented further enhancing the committee's effectiveness.

2.4.5 The Head of Internal Audit is a member of the Corporate Governance Group, which is charged with the compilation of the annual governance statement and improvement plan. As part of standard

internal audit work, governance issues were also reviewed and there were no fundamental weaknesses to report.

### Internal Control

2.4.6 During the financial year 2009-10 thirty one (31) reports were issued with a further four (4) agreed subsequently that were in progress at year-end. All have been accepted by management and except in one case action plans are now in place. Two reports are still at the draft stage. Copies of the reports and action plans were placed in the Members Room on the completion of each review.

2.4.7 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.

2.4.8 We also measure the overall level of assurance 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

2.4.9 Table Two shows the category of recommendations identified for each audit completed, together with the level of assurance for the system reviewed.

**Table Two: Reports, Risk & Assurance**

Audit Area	High Risks	Medium Risks	Low Risks	Assurance Level
Treasury Management 08/09	-	1	1	Limited <sup>1</sup>
Risk Management 08/09	-	8	1	Substantial
Main Accounting 08/09	-	6	8	Substantial
Council Tax/NNDR 08/09	2	6	2	Substantial
Housing Benefits 08/09	-	2	-	Substantial
Payroll (Central)	1	2	-	Moderate
Payroll (Finance)	-	1	-	Moderate
Cash Collection	-	4	1	Substantial
Sundry Debtors	-	3	1	Substantial
Creditors	1	4	2	Substantial

National Indicators	-	6	5	Moderate
IT Application (Paybase) <sup>2</sup>	-	6	2	-
IT Application (Lalpac) <sup>2</sup>	-	5	2	-
IT Application (Corporate) <sup>2</sup>	-	5	-	-
IT Application (Acolaid) <sup>2</sup>	-	5	2	-
Anti-Fraud & Corruption (Fraud)	-	3	3	Moderate
Anti-Fraud & Corruption (Risk)	-	1	1	Moderate
Anti-Fraud & Corruption (HR)	-	2	3	Moderate
Anti-Fraud & Corruption (Partnerships)	-	2	-	Moderate
Anti-Fraud & Corruption (Governance)	-	6	-	Moderate
Fraud Awareness (HR)	-	1	2	Substantial
Fraud Awareness (Governance)	-	3	2	Substantial
Cheques (Cashiers) <sup>3</sup>	-	1	-	-
Cheques (Finance) <sup>3</sup>	-	1	-	-
Trade Waste Service	-	14	3	Limited
Performance Reward Grant <sup>3</sup>	-	1	2	-
Officers' Expenses	-	2	8	Substantial
Petty Cash & Floats (Finance)	-	-	4	Substantial
Petty Cash & Floats (Leisure)	-	2	-	Substantial
Treasury Management	-	1	1	Substantial
Council Tax	-	4	3	Substantial
IT Code of Connection <sup>4</sup>	1	7	3	Substantial
HMO Licensing <sup>4</sup>	1	3	5	Limited
Main Accounting <sup>4</sup>	-	2	3	Substantial
Contract Procedures & Tendering <sup>4</sup>	-	11	9	Moderate
<b>Total</b>	<b>6</b>	<b>129</b>	<b>76</b>	

<sup>1</sup> Assurance assessment took account of issues o/s from 2008/09

<sup>2</sup> Review performed by LCC

<sup>3</sup> Non-Assurance Review

<sup>4</sup> Finalised after year-end

2.4.10 Table Three shows both the average and main system assurance scores for those systems reviewed by Internal Audit over the last five years:

**Table Three: Assurance Ratings**

Audit Area	2005/06	2006/07	2007/08	2008/09	2009/10
All Reviews Average	3.2	3.4	3.4	3.1	3.5
Main Financial Systems:	3.5	3.4	3.7	3.4	3.8
<i>Business Rates</i>	4.4	4.2	4.3	3.8	*
<i>Cash Collection</i>	3.7	3.0	3.5	3.5	3.8
<i>Council Tax</i>	4.6	3.8	4.3	3.8	4.0
<i>Creditors</i>	3.0	3.2	2.9	2.9	4.0
<i>Housing Benefits</i>	4.9	4.5	4.8	4.1	*
<i>Main Accounting</i>	2.3	*	*	3.5	3.5
<i>Payroll</i>	2.5	2.5	3.0	3.0	3.4
<i>Sundry Debtors</i>	2.9	3.1	3.9	3.3	4.0
<i>Treasury Management</i>	3.3	2.7	2.8	2.4	4.2

\* Not Undertaken

2.4.11 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 3.5. Main financial systems had a better average score of 3.8. In both cases the figures show a clear improvement on the previous year and represent the highest scores achieved. Both scores equate to substantial assurance and indicate that overall there is a basically sound framework of control in place.

2.4.12 There were six high priority controls brought to the attention of management during the year and one unresolved item brought forward from 2008/09. Dates for remedial actions to be in place were agreed with management for all of them, although in one case this has slipped considerably.

2.4.13 Table Four sets out the issues, the relevant department and the agreed dates for resolution.

**Table Four: High Priority Risks Identified**

Risk	Directorate	Resolution Date
1. Project management process not fully embedded	Customer & Operational Services	Jul 10 Jan 10 Apr 09
2. A 'Joint Board' of members for the Shared Revenues and Benefits Service was not established	Governance & Partnerships	Completed
3. Council Tax debts written off were not authorised	Governance & Partnerships	Completed
4. Records of starters and leavers were not accurately maintained in support of payroll operations	Customer & Operational Services	Completed
5. Weakness in direct debit payment controls	Governance & Partnerships	Completed
6. A group was not established to oversee the Code of Connection implementation project	Customer & Operational Services	Jul 10
7. Production of mandatory certificates for licensed HMO properties was not enforced	Community Services	Completed

2.4.14 The present position in summary based on managers' advice and evidence available is as follows:

- Five risks have been addressed in full or substantially – numbers 2, 3, 4, 5, 7
- Two agreed actions have not yet reached the agreed date for resolution – numbers 1, 6

#### Follow Up

2.4.15 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Fourteen (14) follow-up reviews have been completed during the year. Table Five shows the total number and percentage of agreed recommendations that were implemented by managers.

**Table Five: 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
<b>2008/09 Reports</b>			
Council Tax/NNDR	10	10	100%
Housing/CTax Benefit	2	2	100%



Main Accounting	14	8	57%
Payroll	13	13	100%
Risk Management	9	9	100%
Sundry Debtors	13	13	100%
Treasury Management	2	1	50%
<b>2009/10 Reports</b>			
Cash Collection (Central)	5	5	100%
Cheques (Cashiers)	1	1	100%
Creditors	7	7	100%
Payroll (Central)	3	3	100%
Payroll (Finance)	1	1	100%
Performance Reward Grant	3	3	100%
Sundry Debtors	4	4	100%
Total	87	80	92%

2.4.16 The overall implementation rate for all reports followed up in 2009/10 is 92% compared to last year's 79% at this time. This figure exceeds the previous best rate of 83% achieved in 2007/08, and exceeds the target of 90%. One factor that may have influenced the outcome was the adoption of the Internal Audit Reports Protocol, which limits the time extensions permitted to one and permits the escalation of outstanding issues to the most senior levels of management.

2.4.17 In addition to the overall rate, the percentage of high and medium priority recommendations implemented is also measured. Table Six shows the total number of agreed high and medium recommendations that were implemented by managers.

**Table Six: High & Medium Recommendations Implemented**

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
2008/09 Reports					
Council Tax/NNDR	2	-	6	-	100%
Housing/CTax Benefit	-	-	2	-	100%
Payroll	1	-	7	-	100%
Main Accounting	-	-	3	3	50%
Risk Management	-	-	8	-	100%
Sundry Debtors	1	-	8	-	100%
Treasury Management	-	-	-	1	0%
2009/10 Reports					
Cash Collection (Central)	-	-	4	-	100%
Cheques (Cashiers)	-	-	1	-	100%
Creditors	1	-	4	-	100%
Payroll (Central)	1	-	2	-	100%
Payroll (Finance)	-	-	1	-	100%
Performance Reward Grant	-	-	1	-	100%
Sundry Debtors	-	-	3	-	100%
Total	6	-	50	4	93%

2.4.18 The classification of recommendations as 'high', 'medium' or 'low' priority indicates where resources might best be applied. The percentage of high and medium priority recommendations

implemented in 2009/10 was 93%, which is slightly higher than the overall rate but below the target of 95%. Nevertheless it is the highest rate ever achieved.

### 3 Other Internal Audit Work

#### 3.1 Special Investigations and Counter Fraud Work

##### Investigations

3.1.1 During the year the audit team commenced one special investigation into possible fraud and corruption. This arose as a result of an allegation from a third party. However, the investigation concluded that it had not been established on the balance of probabilities that misconduct by an individual employee occurred. One investigation that was ongoing at the end of 2008/09 was also concluded. This resulted in disciplinary action against two members of staff

3.1.2 Table Seven summarises the results of the various special investigations during 2009/10 compared with previous years.

**Table Seven: Results of Special Investigations**

Outcome	Number 2006-07	Number 2007-08	Number 2008-09	Number 2009-10
Disciplinary action	1	4	3	-
Employee Resigned prior to conclusion	-	1	-	-
No evidence to support allegation	2	1	-	1
Inconclusive evidence	2	1	-	-
Investigation aborted	-	1	-	-
Police investigation, inconclusive	2	-	-	-
Standards Board referral, no action	1	-	-	-
Investigation Ongoing	-	-	-	-
Total	8	8	3	1

3.1.3 Altogether a total of 17 days was taken up dealing with reactive fraud work during the year. This compares with a total of 95 days spent on fraud in 2007/08 and 18 days in 2008/09. The fact that the incidence of reported fraud is at its lowest level suggests good levels of probity among Council employees, reinforced by the Council's zero tolerance commitment to fraud and corruption.

##### National Fraud Initiative

3.1.4 Internal audit has acted as key contact for the National Fraud Initiative data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and electoral information for a data matching exercise. Savings generated from the exercise are estimated to be around £25,000 most of which will be ongoing in future years. The main savings were achieved in the area of Council Tax with around 70 Single Person Discounts discontinued.

##### Anti-Fraud Culture

3.1.5 Internal audit carried out an effectiveness review of the Council's anti-fraud culture based on the Better Governance Forum's Red Book – *Managing the Risk of Fraud*, which is acknowledged as the good practice benchmark. The work suggested that while there was basically a sound anti-

fraud culture there were some weaknesses which might put some objectives at risk. As a result appropriate measures were agreed to enhance arrangements and further strengthen the regime.

### Fraud Awareness

3.1.6 A 'fraud awareness' survey was carried out in 2009 across a sample of employees to measure how embedded and understood the Council's counter fraud policies and ethical governance framework is. The results were encouraging with high levels of knowledge and confidence in the Council's arrangements providing substantial assurance.

### Benefit Fraud

3.1.7 The Head of Internal Audit is responsible for overseeing the delivery of the benefit fraud service provided by Preston City Council. The performance measures in the Service Level Agreement were all exceeded. In 2009/10 312 investigations were concluded resulting in overpayments identified of £130,138 against the annual target of £100,000 with 38 prosecutions and sanctions against a target of 35.

### Other Counter Fraud Work

3.1.8 In addition to the above, internal audit has undertaken the following counter fraud work, which is not an exhaustive list:

- completed Audit Commission Fraud & Corruption modules to highlight areas of potential fraud risk
- performed a 'fitness for purpose' check and comprehensive revision of the Council's Anti-fraud & Corruption, Whistleblowing, Money Laundering and Sanction & Prosecution policies
- prepared articles for Grapevine highlighting whistleblowing and ethical conduct

## **3.2 Projects, Consultancy and Advice**

3.2.1 This section summarises the range of services, beyond internal audit's assurance role. Such work is often requested by clients, rather than forming part of the risk-based audit function. Commonly, they will involve 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, and advisory services, but this list is not exhaustive.

3.2.1 During the year 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 new 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.
- ♦ Performance Management - performed a detailed verification of the information, data and calculations supporting the published National Indicator figures. The input from Internal Audit resulted in a fully accurate publication of performance indicators.
- ♦ Use of Resources Key Lines of Enquiry – performed research and gathered evidence in support of the Audit Commission's best practice assessment of the Council's performance in relation to internal control, fraud and risk management.
- ♦ Strategic Risk Management – jointly led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management day in conjunction with the Risk Management Officer.
- ♦ Business Process Re-engineering – the Senior Auditor is a trained member of the BPR Group and has contributed to several projects to raise the efficiency and effectiveness of Council operations within the context of a robust control framework.

## 4 Performance of Internal Audit

### 4.1 Internal Audit Plan

4.1.1 A risk assessed annual audit plan was prepared for 2009-10 based on the resources available. The plan was agreed by the Management Team and received approval from the Audit Committee. The total number of days in the plan was 626, not including non-productive time for things such as holidays, sickness and training.

4.1.2 In the event the outturn figure was 649 days, an increase of 23 days largely as a result of the zero sickness rate for the audit team, which allowed additional days to be used productively. The results are set out in Table Eight.

**Table Eight: Internal audit plan**

Audit Activity	Plan days	% of total	Actual days	% of total
Main Financial systems	152	24.3	177	27.3
Strategic Risks	60	9.6	9	1.4
Operational Risks	34	5.4	33	5.1
Corporate Governance	33	5.3	30	4.6
Performance Management	10	1.6	14	2.2
Computer audit*	7	1.1	16	2.4
Anti-fraud audit	40	6.4	64	9.9
Other audit	22	3.5	22	3.4
Reactive audit	80	12.8	42	6.5
Consultancy & Advice	16	2.5	18	2.8
Management & Admin	120	19.2	164	25.3
Non-Audit Work	52	8.3	60	9.2
Total	626	100%	649	100%

\* Does not include bought-in days

4.1.3 The analysis of outturn days shows that rather more time was spent on main financial systems than was planned. This can be accounted for by extra days used to complete the audits slipped from the previous year and by increased time spent on the Council Tax audit carried out jointly with Blackpool Council internal audit. Also the follow up of Cash Collection required considerable liaison with several managers over a variety of sites. Additional time was also spent on computer audit following the review of several separate applications, while more days than envisaged were needed to complete various anti-fraud initiatives, in particular the Fraud Awareness survey. The extra days spent on administration can be attributed partly to increased reporting to Audit Committee with considerably more reports produced over the year (14) compared to last year (7), as well as additional time spent planning and organising audit work.

4.1.4 There were two main areas where actual days totalled significantly less than planned – strategic risks and reactive audit. The time saved in relation to strategic risks was as a result of not undertaking the planned Purchasing review as the system was not rolled out across the authority. Two other audits in this category were not completed and the time was rolled forward into the 2010/11 plan. There was also a considerable time saving in relation to reactive fraud investigation work.

4.1.5 The percentage of the 2009/10 revised audit plan completed to 31 March was 90%, achieving the target for the year. However, taking into account the completion of ongoing audit work slipped into 2009/10 the annual rate now stands at 94%.

## 4.2 Client Satisfaction

4.2.1 All audit reports issued include a client feedback questionnaire for the auditee to give their views on the different aspects of the audit. Table Nine sets out the questions and the responses received.

**Table Nine: Summary of Client Feedback Questionnaires**

Question	Average Score	Excellent %	Good %	Satis %	Fair %	Poor %
Audit review covered key control risks	92	67	33	-	-	-
Review was carried out in a timely and efficient manner	90	83	17	-	-	-
Auditors were polite, positive and professional	93	83	17	-	-	-
Involvement of auditee in the process was appropriate	93	83	17	-	-	-
Well structured and clear audit reporting	92	83	17	-	-	-
Findings and recommendations were accurate and useful	90	83	-	17	-	-
Review provided assurance or resulted in beneficial change	90	83	-	17	-	-
Average	92	81	14	5	-	-

4.2.2 It is pleasing to note that the overall satisfaction rate was 92% in excess of the 90% target and equalling the best ever rating achieved. Unfortunately only about a quarter of surveys issued are returned completed by managers.

## 4.3 Performance Indicators

4.3.1 During the year an exercise was carried out to canvass the views of stakeholders in developing a new suite of performance indicators for internal audit. This was one of the enhancements to arrangements arising from the review of internal audit effectiveness.

4.3.2 At its meeting in January 2009 the Audit Committee adopted the six indicators that had received the highest usefulness rating and established targets for achievement. Table Ten sets out the current targets for 2009/10 where they exist, together with the current actuals. No data is available for this year in relation to two of the three new indicators adopted but figures will be reported for 2010/11 and subsequently.

**Table Ten: Performance Indicators for Internal Audit**

Performance Indicator	Target 2009/10	Actuals 2009/10
% of audit plan completed	90%	94%
% satisfaction rating indicated by post-audit surveys	90%	92%
% of audit recommendations agreed with management	n/a	n/a
% of agreed actions implemented by management	90%	92%
% of 'High Priority' actions implemented by management	n/a	100%
% of 'High/Medium Priority' actions implemented by management	95%	93%
% of recommendations implemented by the first agreed date	n/a	n/a

4.3.3 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.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658	24/06/10	

List of Background Papers		
Name of document	Date	Where available for inspection
Audit Plan 2009-10	March 2009	Internal Audit Office by arrangement
Audit reports & documents	Various	

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	Effective audit and risk management enhance good governance and probity of Council action
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental Impact	None arising directly from this report
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Annual 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
HEAD OF AUDIT	AUDIT COMMITTEE	24 JUNE 2010	10

## EFFECTIVENESS OF THE AUDIT COMMITTEE

### Public Item

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

### Summary

The report presents the findings of a self assessment exercise undertaken by the Chair and Vice Chair of the Committee in relation to the effectiveness of the Audit Committee. The self assessment compared existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

### Recommendations

1. The Committee agrees the findings of the self assessment of the effectiveness of the Audit Committee against the checklist provided by the CIPFA better governance forum in their publication 'A Toolkit for Local Authority Audit Committees' undertaken by the Chair and Vice Chair of the Committee.
2. The Committee adopts the Training Programme set out in the report as the basis for enhancing the skills and experience of Audit Committee members.

### Reasons for recommendations

Adherence to CIPFA's Audit Committee Self-Assessment Checklist provides an indication as to the effectiveness of the committee and permits any divergence from the standard to be highlighted.

### Alternative options considered and rejected

No other course of action is advocated.

### Cabinet Portfolio

The item falls within the following executive portfolio[s]:  
Finance & Resources (Councillor Roger Small)

## **Background**

1. The Audit Committee forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of corporate activity. The effectiveness of the Council's Audit Committee forms part of the evidence used in preparing the Annual Governance Statement for 2010/2011.
2. An effective audit committee helps to raise the profile of internal control, risk management and financial reporting within the Council, as well as providing a forum for the discussion of issues raised by both internal and external auditors. It also enhances public trust and confidence in the financial governance of the Council.
3. Best practice guidance set out by CIPFA in its toolkit for Local Authority Audit Committees, recommends that committees periodically review their own effectiveness in discharging their responsibilities. The guidance incorporates an effectiveness self-assessment checklist to permit benchmarking against good practice.
4. In 2009 the Chair and Vice Chair of the Audit Committee carried out the initial self-assessment review against the checklist, supported by the Head of Internal Audit. This effectiveness review has been re-performed and the report presents the results. The review will be re-performed annually to ensure the effectiveness of the committee is maintained.
5. The main conclusion that can be drawn from the self assessment is that the Audit Committee has the framework in place to act effectively and does so in practice.
6. Last year there were four areas where partial divergence from the standard was noted and improvements were recommended. Three of these were addressed in full – terms of reference for the Audit Committee, timeliness of reports and attendance of the Section 151 Officer or deputy at committee meetings. The remaining area related to training for members of the committee and some progress has been made.
7. The self assessment checklist is attached as an Appendix to this report.

## **Matters arising from Self-Assessment Checklist**

### **8. Member Training**

- 8.1 The CIPFA document states that “to be effective, the members of an audit committee will require certain skills”. These are listed as: a broad understanding of the financial, risk and control, and corporate governance issues facing local authorities generally and the council specifically.
- 8.2 Following last year's effectiveness review a training programme for the committee was established as follows:



## Training Content

## Suggested Date for Delivery

- | Training Content               | Suggested Date for Delivery  |
|--------------------------------|--|
| 1. Role of the Audit Committee | Delivered 23/09/08<br>Periodically to all new members of the committee |
| 2. Corporate Governance        | Delivered through Members' Learning Hour Programme 2008                |
| 3. Financial Statements        | 2009/2010  |
| 4. Risk Management             | 2009/2010  |
| 5. Role of External Audit      | (depending on availability)  |
| 6. Role of Internal Audit      | 2010/2011  |
| 7. Internal Control Framework  | 2010/2011  |

8.3 The Financial Statements training was incorporated into a session on Local Authority Finance that was provided via the Members' Learning Hour Programme. All members of the Audit Committee were requested to attend. A session on Risk Management was delivered in January 2010. A presentation by KPMG on the Role of External Audit will be given prior to the September committee meeting. The Role of Internal Audit session is scheduled for January 2011.

8.4 An optimum amount of targeted training for the Audit Committee is felt to be two sessions each year, generally to be held before the meeting itself. Consequently the training on the Internal Control Framework will be postponed and rescheduled.

8.5 The Committee will be asked to approve the training programme for the coming year on an annual basis to ensure the effectiveness of the committee is maintained. It is recommended that a presentation on the Role of the Audit Committee is provided in 2011/2012 for any new members of the Audit Committee in particular, and any newly elected councillors who may wish to attend.

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
A Toolkit for Local Authority Audit Committees (CIPFA)		All background papers or copies can be obtained from Savile Sykes, Head of Internal Audit on 658413 or email <a href="mailto:saviles@fylde.gov.uk">saviles@fylde.gov.uk</a>

## Attached documents

### 1. Audit Committee Checklist.

IMPLICATIONS	
Finance	This will enhance good governance and probity
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	In completing a review of this nature the Council is compliant with best practice and the exercise demonstrates the effectiveness of the Audit Committee and forms part of the consideration of the system of internal control

**AUDIT COMMITTEE – SELF ASSESSMENT CHECKLIST 2010****Appendix**

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
<b>Terms of Reference</b>				
Have the committee's terms of reference been approved by full Council?	✓			The latest terms of reference for Audit Committee were agreed by Council on 27 <sup>th</sup> July 2009. They are reviewed and updated annually by Audit Committee.
Do the terms of reference follow the CIPFA model?	✓			The Terms of Reference were set up in line with the CIPFA core functions. Two significant additional functions have been added to the committee's role – approving the annual statement of accounts and advising the Council on changes to the Constitution. Furthermore, with effect from the above meeting the Statement of Purpose and the full Terms of Reference suggested by CIPFA have been adopted in full.
<b>Internal Audit Process</b>				
Does the committee approve the strategic audit approach and the annual programme of work?	✓			Audit Committee approves the internal audit strategy and also receives the annual Internal Audit plan for comment and approval.
Is the work of internal audit reviewed regularly?	✓			<p>Reports concerning the work of Internal Audit are presented to the Audit Committee by the Head of Audit twice yearly. The Audit Committee is provided with the percentage of agreed recommendations implemented both for each individual audit review and overall for the year in the annual report of the Head of Internal Audit. The Audit Committee has been proactive in seeking to increase the proportion of agreed recommendations implemented.</p> <p>The triennial reviews of Internal Audit carried out by the Audit Commission, are also reported to the Audit Committee.</p> <p>The annual review of the effectiveness of the system of Internal Audit is also presented to the Audit Committee.</p>

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are summaries of quality questionnaires from service managers reviewed?	✓			An analysis of the customer feedback survey forms is provided to Audit Committee as part of the Head of Internal Audit's annual report.
Is the annual report, from the Head of Audit, presented to the committee?	✓			The Annual report of the Head of Internal Audit is presented to the Audit Committee annually at the June meeting.
<b>External Audit Process</b>				
Are the reports on the work of external audit and other inspection agencies presented to the committee?	✓			Progress reports on the work of external audit are received by the Audit Committee. Other inspection agencies reports are reported to Audit Committee where appropriate.
Does the committee input into the external audit programme?	✓			The external audit programme is presented to the Audit Committee for information and comment. The Audit Committee does have the opportunity to suggest areas that they consider could be reviewed.
Does the committee ensure that officers are acting on and monitoring action taken to implement external audit recommendations?	✓			<p>All external audit recommendations are formulated into action plans with responsible officers named and target implementation dates established. Progress against the action plans is monitored by the Audit Committee on a regular basis.</p> <p>The Committee can require any officers to attend to explain non-implementation of external audit actions.</p>

ISSUE		SATISFIED			Comments
	YES	PARTLY	NO		
Governance, Risk, Fraud					
Does the committee take a role in overseeing:					
♦ the annual governance statement	✓			The Audit Committee receives the Annual Governance Statement annually for comment and approval. Progress in implementing the action plan of improvements is monitored by the Audit Committee periodically.	
♦ risk management strategies	✓			The Risk Management Strategy is approved by the Audit Committee and the Strategic Risk Action Plans are presented to the committee annually for comment and approval. Progress against the action plans is monitored by Audit Committee on a regular basis.	
♦ anti-fraud arrangements	✓			The Audit Committee approves the Anti-Fraud and Corruption strategy, and receives information on the outcomes of all fraud investigation work in the annual report of the Head of Internal Audit.	
♦ whistleblowing policy	✓			The Whistleblowing Policy is approved by the Audit Committee.	
Membership					
Has the membership of the committee been formally agreed and a quorum set?	✓			Audit Committee Terms of Reference have been approved by the Council. The quorum of Committees established in the Constitution is one-quarter of the whole number of the members of that Committee provided that the quorum is not less than 3 members. The quorum of the Audit Committee would therefore be 3.	
Is the Chair free of executive or scrutiny functions?		✓		The Chair of Audit Committee is free of executive functions but serves on the Community Focus Scrutiny Committee although not as a Chair/Vice.  The independence of the Chair was not thought to be compromised.	

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are members sufficiently independent of the other key committees of the Council?		✓		In the main yes but one Member act as Chair of a scrutiny committee.  The independence of the Audit Committee was not thought to be compromised.
Have all members' skills and experiences been assessed and training given for identified gaps?	✓			The Council has in place a comprehensive elected member driven training and development programme. Fundamental to this is an embedded Strategy and PDP process. This help shapes both individual and corporate needs resulting in an on going tailored learning programme.  (Specific training for the Audit Committee is considered below)
Can the committee access other committees as necessary?	✓			The Audit Committee is a committee of the Council and can access other Committees as necessary and appropriate.
<b>Meetings</b>				
Does the committee meet regularly?	✓			At least four times a year in accordance with the committee's terms of reference, but in both 2009-10 and 2008-09 the committee actually met on six occasions.
Are separate, private meetings held with the external auditor and the internal auditor?	✓			Private meetings with internal and external audit do not happen as a matter of course but if such meetings were required they could be arranged. In reality, the Chair of the Audit Committee or any member can meet with the Head of Internal Audit at any time.
Are meetings free and open without political influences being displayed?	✓			Yes – thorough discussion of items takes place without undue political influences being displayed.
Are decisions reached promptly?	✓			Decisions are reached promptly at each meeting.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			In general papers are circulated well in advance and agenda papers are also available on the internet. However, some reports were submitted late such that members had insufficient time to properly assimilate the contents. Consequently this point was addressed as part of last year's committee assessment. Since then no internal reports have been issued with the agenda in accordance with the timetable.
Does the committee have the benefit of appropriate officers at its meetings?	✓			The Chief Executive, Section 151 Officer/Deputy and the Head of Internal Audit are regular attendees. Other officers attend as required. Representatives of the Audit Commission and KPMG also attend as necessary.
<b>Training</b>				
Is induction training provided to members?	✓			Yes – all new members receive corporate induction training.  In terms of the Audit Committee most members of the committee have attended a presentation on the role of the Audit Committee.
Is more advanced training available as required?		✓		More specific training for the Audit Committee commenced with the delivery of a Risk Management training session in January. A session on Local Authority Finance was provided as part of the Members' Learning Hour Programme. Further sessions on External Audit and Internal Audit will be delivered in the current year specifically for Audit Committee members.
<b>Administration</b>				
Does the authority's s151 officer or deputy attend all meetings?	✓			In 2009-10 six meetings of the Audit Committee took place. The Section 151 Officer attended 3 of them and the Deputy Section 151 Officer attended the remainder.

ISSUE	SATISFIED			Comments
	YES	PARTLY	NO	
Are the key officers available to support the committee?	✓			Yes – key officers are available to support the Committee with suitable administrative arrangements also in place.



## Audit Committee



Date	Tuesday, 30 March 2010
Venue	Town Hall, St Annes
Committee members	Councillor John Singleton (Chairman) Councillor Linda Nulty (Vice-Chairman) Ben Aitken, Christine Akeroyd, Keith Hyde, Elizabeth Oades, Louis Rigby, Paul Rigby
Other Councillors	None
Officers	Phil Woodward, Tracy Scholes, Clare Platt, Paul Walker, Allan Oldfield, Joanna Scott, Savile Sykes, Annie Womack
Other Attendees	Iain Leviston - KPMG

### 1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000.

### 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 28 January 2010 as a correct record for signature by the Chairman.

### 3. Substitute members

There were no substitutions.

### 4. Review of Financial Planning and Management

This report was presented by Tracy Scholes, Director of Governance and Partnerships. Ms Scholes explained that at its meeting on 25 June 2009, the committee reviewed the findings and recommendations of KPMG following its audit of financial planning and management, and the recommendations of KPMG were translated into an Action Plan which was presented to the committee in September 2009. The committee requested to keep progress of the actions contained within the Plan under review. The Action Plan was attached showing progress to date.

Members raised queries about ongoing items and also asked about the timeframes for training.

After discussion, it was RESOLVED:

1. To note that the majority of recommendations have been implemented and that Management Team will ensure that outstanding and ongoing actions are kept under review by the committee

#### 5. Corporate Governance Improvement Plan,

Ms Scholes also introduced this report. She reminded members that the Annual Governance Statement had been adopted in June of last year and that the Audit Committee was responsible for monitoring progress of the Improvement Plan, and that her report was an update.

She pointed out that the majority of actions were completed.

Members had several questions relating to some of the action points which were still in progress or pending. The Chairman queried AGS2 relating to the purchase ordering system and pointed out that the original target for piloting in IT had been January 2010, but was now put back to June. He sought assurance that the new target would be met, and was advised that it was probable that June would see the action point completed.

The Chairman also queried AGS4 relating to capital strategy and asset management which had been due for completion in March. Mr Paul Walker, Director of Strategic Development Services, advised members that officers had been working jointly with LCC and already had a draft Asset Management Plan, which would include property which was owned by LCC but sited in the Borough, as well as our own, but that some considerable detail still had to be provided. Nevertheless, the draft plan would be ready to be brought before members in June 2010. He explained that the Capital Strategy would be dealt with separately and a more detailed report would be brought before the committee.

In response to a question about AGS7, which provided for a Communication and Consultation Strategy, Ms Scholes confirmed that the draft strategy was currently with the Portfolio Holder for comment and would be completed in April.

Following consideration of the report it was RESOLVED:

1. To note the report and to receive a further update on the outstanding items to the June committee.

#### 6. IT Risk Assessment Action Plan - Update

This report was presented by Mr Allan Oldfield, Director of Customer and Operational Services. The report provided the committee with details of an outstanding action that was on the IT Risk Assessment Audit relating to IT security and storage of back-up tapes.

In April 2008 the back up tapes were being stored at the Public Offices as an interim measure. However, this was unsuitable because it is less than half a mile from the Town Hall. Other locations had been ruled out because of inadequate storage or accommodation moves.

In September 2009 plans were drawn up to refurbish staff accommodation and undertake essential health and safety at the Snowden Road Depot in St. Annes. This presented the opportunity to create a suitable storage environment for the back up tapes. A lockable fire proof safe was ordered to be located at the depot which is approximately three miles from the Town Hall.

The back up tapes are now stored off site in a location in excess of half a mile from the Town Hall. Action R5 is therefore complete and the IT Risk Assessment Action Plan has been signed off.

Following consideration of the report it was RESOLVED:

1. To sign off completion of this action and closure of the IT Risk Assessment Plan.

#### 7. Outstanding Strategic Risk Actions From 2009/10

Mr Paul Walker, Director of Strategic Development Services gave his report to the committee, providing details of six outstanding actions from the 2009/10 Strategic Risk Action Plan.

He explained that five of them related to the production of various elements of the Local Development Framework (LDF). The LDF steering group had reviewed the proposed risk actions in considering what the Council wants to achieve and whether to pursue a pared down scope Core Strategy. However, legal advice received by the Council advised against pursuing a reduced scope Core Strategy as it would expose the Council to significant risk. Mr Walker advised the committee that as a result, a revised plan for completion of the LDF was currently being formulated and extra resources would soon be in place.

Mr Walker advised members that the LDF steering group will meet in April when it will agree a revised work plan. This would then become the means of monitoring progress with achievement of the Core Strategy/LDF.

The remaining outstanding action was production of the Regeneration Framework. This had been delayed due to priority being given to completing the Lytham St Annes 2020 Vision document which was necessary to facilitate the bidding for resources to support the Open Golf Championships in 2012. Mr Walker advised that work had now begun on the Regeneration Framework and a report to Cabinet/Portfolio Holder was due by July.

In response to questions about the viability study in relation to the provision of affordable housing, Mr Walker said that this was not the same as a Housing Needs Survey. He said that the LDF Steering Group would decide whether a Housing Needs Survey update would be needed for the Core Strategy.

Cllr Nulty asked when the LDF would be completed and Mr Walker said that it was likely to be in 2012, but that there would be a clearer picture after the next meeting of the LDF steering group.

After consideration the committee RESOLVED:

1. To review the outstanding 2009/10 risk actions at the September meeting.

#### 8. Proposed Amendment to the Constitution

Mr Phil Woodward, the Chief Executive, presented this report which suggested a minor amendment to Appendix 9 of the Council's Constitution (protocol on Member – Officer relations) to formalise future briefing arrangements for non-administration Members.

Non-administration Members had nominated spokespersons to 'shadow' the work of each of the Portfolio Holders on the Council's Executive Cabinet and a schedule of routine briefing meetings was established to provide the opportunity for an exchange of information between the Council's management team and the nominated shadow spokespeople.

The Leader of the Opposition had indicated her view that this arrangement had not been as effective as hoped and had advised in October 2009 that the nominated shadow spokespeople would discontinue any future briefings other than those associated with the annual budget preparation.

Mr Woodward said that arrangements in place at Lancashire County Council for a similar scheme had been reviewed and assessed and were being recommended in this report for incorporation into the Fylde Borough Constitution. The relevant extract was attached as an appendix.

He drew to members' attention the routes by which such an amendment can be adopted and advised that it was felt that the most appropriate way was by recommendation by this committee.

Councillor Oades said that although non-administration members had agreed to discontinue the shadow system, they had not yet discussed whether there were other circumstances, such as the ones proposed, which would make them want to recommence. The Chairman confirmed with her that, should this amendment be approved, opposition councillors would still be able to make that decision one way or the other and she agreed that was the case.

Mr Woodward clarified for Councillor Nulty that essentially the briefings would be on items which are to be reported in public to Council, its cabinet, or its committees.

Councillors Oades and Nulty expressed the opinion that there should be further discussion with opposition councillors on the detail of the revision to the Constitution before it came to Council in July; at which stage amendments to the revision could be proposed.

After discussion the committee RESOLVED:

1. To recommend to Council the proposed revision to Appendix 9 of the Constitution as outlined in Appendix A of this report.

## 9. Internal Audit Plan 2010-2011

Savile Sykes, Chief Internal Auditor, presented the audit work plan for the financial year 2010 -11. He explained that the work planned took into account:

Internal Audit's objectives; discussions with managers; discussions with partners; key issues identified for 2010 -11; the results of previous audits; the cyclical programme of audit work; the resources available; and the level of risk within each service.

He outlined to the committee how the work of the team would be broken down across several main services to the Council and that reviews would be on a risk assessed basis to ensure controls are adequate. There would be compliance testing to ensure financial

systems remain fit for purpose, provision of consultancy and advice to management, fraud investigation, and follow up work to ensure findings are implemented

Mr Sykes explained that the Code of Practice required the preparation of a risk based audit plan. The need for audit reviews in individual areas was considered, taking into account materiality, business risk, assurance, potential for fraud, and time since last audited, resulting in scores which were statistically weighted to provide a level of relative risk for each system.

He emphasized that business risks are prone to change and the plan was not intended to be regarded as rigid. Areas for review can and will emerge in-year. Consequently a contingency provision had also been included in the plan to cover changes in circumstances after the completion of the risk assessment, such as specific management requests for audit, ad hoc work, on-demand tasks and special investigations.

Members strongly requested that the audit plan should include some work on the planning service. Mr Sykes acknowledged that members appeared to have concerns about this area and agreed to accommodate a suitable piece of work in the audit plan. To achieve this, the proposed review of Licensing Income would be removed from the plan, subject to re-instatement if time permitted.

After further discussion the committee RESOLVED:

1. To approve the Annual Internal Audit Plan 2009-10.

#### 10. Fraud Awareness Survey

Mr Sykes presented for information to the committee, a report summarising the results of the recently completed Fraud Awareness Survey.

This was a survey of Council staff, intended to help the Council measure how well understood and embedded was the counter-fraud and ethical governance framework.

The results showed that overall Fylde's staff demonstrate a higher than average level of awareness of these matters, and confidence in them, when compared to other councils.

There was a 29% response rate, with an overall higher percentage of manual employees responding than in previous years. The response rate was sufficient for statistically reliable results.

Mr Sykes highlighted areas where awareness was high, and others where it was felt necessary to further strengthen awareness, for example around the Whistleblowing policy and the role of the Standards Committee.

Members asked whether there was an incentive for staff to complete the survey. Mr Sykes said there was not and the committee suggested that perhaps in future there could be a prize draw to encourage higher participation.

After discussion, the committee RESOLVED to note the report.

#### 11. Annual Review of Counter Fraud Policies

The Audit Committee's terms of reference include the adoption and approval of counter fraud policies and Mr Sykes provided the committee with a report which outlined the development of a corporate framework designed to minimise the incidence of fraud and

corruption, and had attached the relevant policies as appendices to his report.

The policies and strategies for committee approval were Anti-Fraud and Corruption Policy; Anti-fraud and Corruption Strategy; Whistleblowing Policy; Anti-Money Laundering Policy; and Sanction and Prosecution Policy

He explained that a comprehensive review of all relevant policies and strategies had been undertaken in order to ensure that an effective and up-to-date framework for countering fraud and corruption was maintained. He outlined for the committee how each policy and strategy had been refreshed, changed or replaced to reflect new corporate arrangements and best practice.

Following consideration it was RESOLVED:

1. To approve the policy documents attached as Appendices to the report.

#### 12. Audit Committee Work Plan

The Chairman asked that items be added to the workplan for June and September in relation to the recommendations made at this committee meeting.

#### 13. Financial Statement Audit Plan Feb 2010

Iain Leviston (Senior Manager-KPMG) attended the meeting and presented an overview of the content of the Financial Statement Audit Plan which had been produced by the Council's auditors, KPMG. The plan showed how the audit of the council's financial statements and use of resources for the year 2009/10 would be undertaken.

Mr Leviston highlighted the key risk audit areas for the committee, including revaluation of fixed assets, local taxes, and implementation of the new International Financial Reporting Standards (IFRS).

He explained the concept of materiality to the committee, and said that their work was planned to detect errors that are material to the accounts as a whole.

He pointed out and discussed the audit fees and the audit timetable.

Members questioned the level of fees and Mr Leviston said that they did reflect the level of work which needed to be done. He also said that if IFRS accounts had to be produced as well as the accounts in the existing format that could result in a slight increase in costs.

The committee RESOLVED:

1. To note the report.

#### 14. Certificate of Grants and Returns 2008/09

Mr Leviston also presented this report concerning the Certification of Grants and Returns from KPMG.

He advised the committee that they had certified three grants and returns, all of which were unqualified with no amendment. These were the Housing and Council Tax Benefit grant claim; the Disabled Facilities Grant; and the NNDR return.

Mr Leviston reported that the fee had been lower than their original estimate, due to the amount of follow-up work being reduced. They had achieved this by working alongside the

Benefits Team during audit testing. Additionally, there were fewer grants than expected requiring audit.

The committee RESOLVED to thank Mr Leviston for his attendance and to note the report.

#### 15. International Financial Reporting Standards (IFRS)

This was a late item which the Chairman had requested to come to committee for members' information. The topic had originally come before the committee at its January meeting, when they had asked for an update.

Joanna Scott, Assistant Director of Finance, provided paperwork and spoke to the committee about progress on the International Financial Reporting Standards (IFRS) and the preparatory work that had been done so far, and work that still needed to be completed, and explained that after the council's accounts had been closed and the statement of accounts provided in June, the accounts would then be restated in the new IFRS format.

A question was asked about costs, but Ms Scott said that whilst efforts were being made to minimise costs and use resources effectively, she could not yet be certain what the extra costs might be.

The committee RESOLVED:

1. To note the report and to receive a further update to the June committee

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