

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