

# Audit Committee

**Wednesday, 19 March 2008**

**Present:** Councillor Anthony Gee (Chair) and Councillor Alan Cain

**Officers Present:** Gary Hall (Assistant Chief Executive (Business Transformation)), Andrew Docherty (Corporate Director of Governance), Garry Barclay (Audit and Risk Manager), Andy Armstrong (Assistant Audit Manager), James Douglas (Business Improvement Manager), Janet Hinds (Corporate Procurement and Partnership Manager) and Dianne Scambler (Trainee Democratic Services Officer)

**Also in attendance:** Mike Thomas (Audit Commission) and Tony Hough (Audit Commission)

## **08.AU.10 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors S Smith and M Wilson

## **08.AU.11 MINUTES**

**RESOLVED – That the minutes of the meeting of the Audit Committee held on 17 January 2008 be held as a correct record for signing by the chair.**

## **08.AU.12 DECLARATIONS OF ANY INTERESTS**

No declarations of interest were declared.

## **08.AU.13 FRAMEWORK FOR PARTNERSHIP WORKING**

The Assistant Chief Executive (Business Transformation) submitted a report that provided Members with an update on the Council's Framework for Partnership Working.

The Council had now identified and published details of all its partnership arrangements and had formalised a reporting structure that would enable effective monitoring and performance reporting.

The first monitoring report had been presented to cabinet on October 2007, and for the first time Members had been able to consider the performance of partnerships in the delivery of their objectives, together with governance and risk arrangements and financial stability in the one report.

Since the implementation of the framework a number of additional issues had been identified and included sustainability, equality and diversity and data quality. Arrangements had been made to deal with these issues and had been incorporated into the framework.

Overall there had been a positive transition, which had substantially improved our previous arrangements, however it would understandably take a little time to become fully embedded across the council.

**RESOLVED – That the report be noted.**

## 08.AU.14 ANNUAL AUDIT & INSPECTION LETTER

The Audit Commission submitted a report on the Annual Audit and Inspection Letter. This report provided an overall summary of the Audit Commission's assessment of the Council. The letter included the latest assessment on the Council's performance under the CPA Framework, including the Direction of Travel and the auditor's assessment of how well the Authority had managed its finances, through its Use of Resources scores.

The letter was one of the best that the Council had received and boded well for the forthcoming Comprehensive Performance re-assessment. The key messages contained within the report were as follows:

### Council Performance – Direction of Travel

- The Council had maintained its good track record of improvement. In 2006/07, 66 per cent of national performance indicators had improved, well above the average for district councils.
- Public satisfaction with housing and planning services had improved, while recycling rates were increasing and remained in the upper quartile of performance.
- The Council was contributing successfully to wider community outcomes through its membership and support of the Local Strategic Partnership (LSP) and other key local partnerships.
- Performance management arrangements were highly effective and process redesign is contributing to improved services.
- There had been good process in strengthening the approach to equalities and diversity that had seen the Council progress from a level 1 to a level 2 of the Local Government Equalities Standard and was on track to further improve to a Level 3.
- The Council had used partnership working effectively to supplement its existing capacity, outsourcing its housing function and property management and maintenance responsibilities in 2007. The Council was also in the process of implementing shared financial service arrangements with its neighbouring authority South Ribble and had achieved positive results through the Crime and Disorder reduction partnership and the LSP

### Health Inequalities (HI)

- Findings showed that the Council had a strong commitment to reducing Health Inequalities in partnership with key agencies including the Primary Care Trust and the voluntary sector. There were clear plans and initiatives in place so that the Council was well placed to track improvements in HI across disadvantaged groups.

### Local Area Agreements (LAA)

- The Council and its partners had made good progress in establishing robust arrangements for governance, financial and performance management of the LAA. In preparation for the review, the Council and its partners had refreshed the Chorley Community Strategy and identified key priorities and measures which had been used to inform the refresh of Ambition Lancashire and the development of the new LAA priorities and indicators.

### Data Quality

- The Council's overall management arrangements for ensuring data quality data had improved since the last review, most notably in terms of providing

overall leadership and supporting officers in collating and compiling performance indicators.

#### Accounts and value for money

- The auditor's had issued an unqualified opinion on the Council's accounts on 27 September 2007 and had noted that further improvements in the standard of working papers provided in support of the draft statements had been achieved.
- It was concluded that the Council had adequate arrangements in place to secure Value For Money. This is the maximum judgement that can be given as part of the audit opinion but to put this into context the Council was one of only seven district councils in the country to achieve a Value For Money score of 4.

#### Use of Resources

- Chorley had continued to perform strongly in terms of achieving good value for money, and overall arrangements for managing and using its resources were assessed as strong. This was a significant achievement with only 13 other district councils having been assessed at this level.

Actions had been identified for the Council that mainly concerned continuing the good work in several of the above areas to make more improvements and further developing the partnerships that had been established.

The Assistant Chief Executive (Business Transformation) commented that the Council had now taken the impact of Job Evaluation. The process had been finalised and the Authority had managed the risk really well. There was still the potential issue of any Equal Pay Claims and they would know more after the deadline in a couple of week's time.

Looking ahead the Council was preparing to receive the new performance assessment framework, the Comprehensive Area Assessment (CAA) and it promised to be a tough year while the Authority adapted to the new working arrangements.

CAA would provide the first holistic independent assessment of the prospects for local areas, and the quality of life for the people living there. It would put the experience of citizens; people who use our services and our local taxpayers at the centre of the assessment, with particular focus on the needs of those whose circumstances make them vulnerable. Our strengths in existing partnership working should enable the Council to adapt more quickly but public perception would be key to the authority's overall success.

Mr Thomas announced that he was stepping down as District Auditor after 5 years of working with the Authority and he thanked all the officers and Members he had worked with over the years and wished Chorley all the best for the future.

The Assistant Chief Executive (Business Transformation) on behalf of the Chair and the Committee thanked Mr Thomas for all his help and assistance and wished him well in his new role. The Council had been allocated with a new District Auditor, Fiona Blancher and the team were looking forward to working with her in the future.

**RESOLVED – That the report be noted and that Full Council be recommended to endorse the Annual Audit and Inspection Letter for 2006/2007**

## **08.AU.15 CODE OF CORPORATE GOVERNANCE**

The Assistant Chief Executive (Business Transformation) and the Corporate Director (Governance) submitted a joint report that sought member's approval of the Code of Corporate Governance.

Recently issued guidance by CIPFA and SOLACE had required the Council to develop and maintain a local Code of Corporate Governance and to prepare a Governance Statement on an annual basis to report publicly on the extent to which the Council complies with its own code.

The local Code of Corporate Governance had been prepared in accordance with the guidance and was attached for Members approval.

The draft code had been originally presented to the Audit Committee for information and had now been finalised for members' approval following a period of consultation and had allowed for a comparison of the code with that of other councils. The officers were now satisfied that the Code not only met the guidance but also represented best practice.

**RESOLVED – That Full Council be recommended to approve the Code of Corporate Governance**

## **08.AU.16 ANTI-FRAUD & CORRUPTION STRATEGY**

The Assistant Chief Executive (Business Transformation) submitted a report to seek the Committee's approval of the revised Anti-Fraud and Corruption Strategy (AFCS)

The AFCS had been updated to address recommendations made by the Audit Commission in the Use of Resources assessment and other developments. The Corporate Director (Governance) had also fed some new legislative procedures into the Strategy for the understanding of Members.

**RESOLVED – That the Anti-Fraud and Corruption Strategy be approved.**

## **08.AU.17 FRAUD & CORRUPTION RISK REGISTER**

The Assistant Chief Executive (Business Transformation) submitted a report to inform Members of the outcome of an important review that had been recently conducted by Internal Audit, to compile a corporate Fraud and Corruption Risk Register that identified and addressed specific fraud risks throughout the Council.

In their 2006 Use of Resources report the Commission had recommended that the Council further develop proactive counter fraud and corruption work, determined by a formal risk assessment, which is adequately resourced.

Internal Audit worked with Directors to compile a corporate Fraud and Corruption Risk Register that identified and addressed specific fraud risks in individual service areas.

The Members were provided with an explanation of the processes involved in the compiling of the Register and the resulting Action Plan.

The exercise established that a well developed anti fraud culture is already embedded within the Council. Only 25 potential fraud risks were identified that were considered to be of medium or high exposure.

The issues were currently being discussed with all the Directors concerned and detailed actions had been agreed with them to further mitigate the risks identified.

Members sought assurances that the Council's transfer of data was sound in light of recent events in the press. The new ICT User Policy was due to be finalised and the imminent move to Thin Client hardware will help to significantly mitigate the risks associated with personal data.

The Assistant Chief Executive (Business Transformation) thanked Andy Armstrong for all his hard work on this particular piece of work.

**RESOLVED – That the Fraud and Corruption Risk Register be approved.**

#### **08.AU.18 INTERNAL AUDIT PLAN 2008/9**

The Assistant Chief Executive (Business Transformation) submitted a report to remind Members of the respective roles of managers, members and Internal Audit to maintain a sound system of governance and control within the Council and sought Members approval of the Annual Internal Audit Plan 2008/09.

Internal Audit is an independent appraisal function, whose prime objective is to evaluate and report on the adequacy of the Council's system of governance and internal control. This is achieved through a programme of reviews of the key business systems following a detailed assessment of audit need:

The 2008/09 Annual Internal Audit Plan is structured into seven sections:

- Corporate Governance
- Risk Management
- Anti-Fraud and Corruption
- Review of Key Business Systems
- Review of Financial Systems
- Review of Key Operations
- Contingency

An Internal Audit resource of 670 days would be employed to cover 32 separate audit topics under the above headings.

The plan is required to ensure that the Council has in place an adequate and effective internal audit of its system of governance, risk management and internal control in accordance with best practice and professional standards.

**RESOLVED – That the 2008/09 Internal Audit Plan be approved and submitted to Executive Cabinet for adoption.**

#### **08.AU.19 ATTENDANCE AT AUDIT COMMITTEE MEETINGS**

The Assistant Chief Executive (Business Transformation) commented on the attendance by Members at meetings of the Audit Committee over the last Municipal year.

It was acknowledged that the work of the Committee was now more specialised and Members needed to be committed to their role.

**RESOLVED – That the Assistant Chief Executive ask the Leader of the Council to look at the membership of the Audit Committee for the 2008/09 municipal year.**

Chair