

Audit Committee

Thursday, 26 June 2008

Present: Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Mike Devaney and Keith Iddon

Officers Present: Gary Hall (Assistant Chief Executive (Business Transformation)), Garry Barclay (Audit and Risk Manager), Michael Jackson (Resources Manager), Andy Armstrong (Assistant Audit Manager), Chris Moister (Head of Legal Services) and Tony Uren (Democratic Services Officer)

Also in attendance: Fiona Blatcher (District Auditor, Audit Commission) and Tony Hough (Audit Manager, Audit Commission)

08.AU.20 APOLOGIES FOR ABSENCE

Apologies for absence from the meeting were submitted on behalf of Councillor Alan Cain and Councillor Geoffrey Russell.

08.AU.21 OFFICER INTRODUCTIONS

The Chair welcomed Fiona Blatcher who had recently been appointed by the Audit Commission to succeed Mike Thomas as the Lead Audit Officer for Chorley. Fiona was accompanied by Tony Hough, the Audit Commission's Audit Manager for Chorley.

Gary Hall also introduced Michael Jackson (Resources Manager) and Chris Moister (Head of Legal Services) who were attending their first meeting of the Audit Committee.

08.AU.22 DECLARATIONS OF ANY INTERESTS

There were no declarations of interest in any of the items on the meeting's agenda by any of the Members present.

08.AU.23 MINUTES

(a) Confirmation

RESOLVED – That the minutes of the meeting of the Audit Committee held on 19 March 2008 be confirmed as a correct record and signed by the Chair.

(b) Time of Future Meetings

The Members noted and were concerned at the fact that only two Councillors had been present at the last meeting of the Committee on 19 March. The Assistant Chief Executive (Business Transformation) highlighted the significance of the role of the Committee and the need for the participation of as many Councillors as possible in the functions and decisions of the Committee. The Members considered that an earlier commencement of future meetings would attract a greater number of Councillors.

RESOLVED – That the commencement time for the meetings of the Audit Committee scheduled to take place on 25 September 2008, 15 January and 19 March 2009 be altered from 4.30pm to 2.30pm.

08.AU.24 EXTERNAL AUDIT AND INSPECTION PLAN, 2008/9

The Audit Commission's Inspection Team for Chorley (Fiona Blatcher (Engagement Lead) and Tony Hough (Audit Manager) presented the Commission's Audit and Inspection Plan for 2008/09.

The Plan set out the audit and inspection work that the external auditors proposed to undertake during the current financial year. The Plan was based on the Audit Commission's risk-based approach to audit planning and, significantly, the issues of particular relevance as the Authority moved toward the new Comprehensive Area Assessment (CAA) regime. Ms Blatcher emphasised that 2008/09 would be the final year in which corporate assessments and programmed service inspections would be undertaken as part of the Comprehensive Performance Assessment (CPA). The Audit Commission, along with other public service inspectorates, would be implementing a Comprehensive Area Assessment as from April 2009, which would cover the whole of Lancashire (including two Unitary Authority areas) and would incorporate the performance of the key partner bodies.

The Audit Commission's work was based upon its assessment of the Authority's risks and performance. In this context, the audit plan for 2008/09 had taken account of the local risk associated with the new financial shared service arrangement with South Ribble Borough Council and planned to target work to assess the arrangements in place both jointly and individually to address any risks from the shared services arrangement.

The Members were assured that the audit planning process would continue to be monitored throughout the year and amended accordingly to include any significant new local risks that may arise.

RESOLVED – That the External Audit and Inspection Plan for 2008/09, as now presented, be approved.

08.AU.25 DATA QUALITY - UPDATE ON PROGRESS

The Committee received and considered a report of the Assistant Chief Executive (Policy and Performance) on the significant progress that had been made by the Council in respect of its data quality arrangements in order to ensure that its performance monitoring and reporting processes were robust and effective.

Processes focused around the Community and Corporate Strategies had been strengthened in response to an earlier Audit Commission survey. The processes would provide a sound basis and platform for the introduction of the new national indicators in 2008/09 to replace Best Value Performance Indicators.

The Council's data quality arrangements addressed a set of standards produced by the Audit Commission known as Key Lines of Enquiry (KLOE). The report identified the data quality KLOEs to be used by the Audit Commission to judge the Council's performance in delivering data quality, together with an update on the progress made against each KLOE over the last 12 months.

RESOLVED – That the report be noted.

08.AU.26 INTERNAL AUDIT ANNUAL REPORT FOR 2007/8

The Audit Committee received a report of the Assistant Chief Executive (Business Transformation) which (i) summarised the work undertaken by the Internal Audit Section during the 2007/08 financial year; (ii) listed the areas of internal audit work undertaken during the year, with opinions on the adequacy of control for each area; and (iii) evaluated the effectiveness of the Council's system of internal audit.

An appendix to the report set out key performance data, indicating that 17 internal audit reports, containing 75 agreed recommendations, had been produced over the past year.

On the basis of the work completed, the Internal Audit Section had concluded that the Council continued to operate within a sound control environment. An update of the Internal Audit's self-assessment also revealed that the Section continued to operate within the CIPFA Code of Practice. In addition, the report demonstrated the successful delivery of the 2007/08 internal audit programme of work and had concluded that the Council's governance and control environment remained effective and had not identified any major cause for concern.

In response to a Members' query, the Audit and Risk Manager assured the Committee that, whenever weaknesses were identified, the respective Directorate was required to notify the Internal Audit Section of the measures to be put in place in order to address the identified risks. The Committee was also assured that the outcome of actions implemented to counter identified risks was always clarified in the respective audit review report.

RESOLVED – (1) That the report be noted.

(2) That a further report be presented to the next meeting of the Audit Committee to clarify the action plan developed to mitigate the weaknesses identified in the Fraud Risk Register.

08.AU.27 ANNUAL ACCOUNTS AND GOVERNANCE STATEMENT FOR 2007/08

The Audit Committee received reports from the Assistant Chief Executive (Business Transformation) seeking (a) approval to the Financial Statement for 2007/08, which set out the draft accounts for the financial year; and (b) endorsement of the associated Annual Governance Statement.

(a) Financial Statement for 2007/08

The Assistant Chief Executive (Business Transformation) presented, for approval by the Committee, the financial statement containing the Council's accounts for 2007/08.

The statement revealed that, in overall terms, the financial standing of the Council remained good and identified the following key messages for the Authority:

- A General Fund underspend of £108,000 had resulted from the capitalisation of Gillibrand Link Road interest costs.
- The balances on the closed Housing Revenue Fund had been transferred to the Council's general balances.
- The end of year working balances was beyond the range identified in the Council's Financial Strategy (principally as a result of the capitalisation of interest costs). The Executive Cabinet was, however, being advised to

maintain the current level in the light of the present uncertainties on a number of budgetary factors.

- The Collection Fund overall was in deficit by £314,000, as a result of the level of grant anticipated in 2007/08 not materialising.
- The Pension Fund deficit had increased to £27.3m in 2007/08 as a result of the triennial revaluation and changes to past assumptions.
- The Council would need to examine means of maintaining an efficient cash flow at minimal cost.

The Committee members' queries related, in general, to the future capital funding arrangements; the need to introduce measures aimed at reducing energy costs; the revaluation of real estate assets; and the need to monitor closely the implications of the diminishing Pension Fund.

RESOLVED – That the Financial Statement of Accounts for the year ended 31 March 2008 be approved and signed by the Chair.

(b) **Annual Governance Statement**

The Assistant Chief Executive (Business Transformation) submitted a report which incorporated the draft Annual Governance Statement which had been produced in accordance within the prevailing CIPFA/SOLACE guidelines and the Council's regulatory framework which required the annual review of governance and internal control systems and the publication of an annual statement alongside its annual financial statement.

The Audit Committee had received a report in January 2008 which detailed the progress that had been made to address the significant governance issues disclosed in the 2006/07 Annual Governance Statement. The Assistant Chief Executive's current report confirmed that all identified issues had been rectified, with the exception of on-going work in respect of the Financial Shared Services project, business continuity planning and asset registers.

An appendix to the Statement also listed the actions that the Authority proposed to implement in order to address each of the improvement opportunities that had been identified in the updated corporate self-assessment and Directorate assessments. It was intended that the specified actions would be fed into the Business Improvement Plans of the respective Directorates.

The Members were reminded that the role of the Audit Committee was to satisfy itself that the current processes in relations to the review of the Authority's governance and internal control systems had been followed in accordance with CIPFA/SOLACE guidelines, in response to which no adverse comments were received from the Committee members.

RESOLVED – (1) That the Annual Governance Statement for 2007/08, as now presented, be approved.

(2) That the approved Statement be formally signed off by the Leader of the Council and the Chief Executive before submission for external audit as part of the 2007/08 financial statement.

Chair