

# Audit Committee

**Thursday, 17 March 2011**

**Present:** Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Judith Boothman and Geoffrey Russell

**Officers Present:** Chris Moister (Head of Governance), Clare Ware (Shared Assurance Services Internal Audit Manager), Rebecca Huddleston (Performance Improvement Manager) and Ruth Rimmington (Democratic and Member Services Officer)

**Also in attendance:** Tony Hough (Audit Manager, Audit Commission)

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

Apologies for absence were submitted on behalf of Councillors Magda Cullens and Alan Platt.

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

The minutes of the Audit Committee held on 20 January 2011 were confirmed as a correct record for signature by the Chair.

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

There were no declarations of interest in any of the meeting's agenda items by any of the Committee members.

## **11.AU.13 CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT**

The Committee received and considered the Certification of Claims and Returns - Annual Report from the Audit Commission.

Tony Hough (Audit Manager, Audit Commission) advised that the Council was required to demonstrate to its auditors that it had met the conditions attached to the grants received from government grant-paying departments. The Council must ensure that it had complied with regulations for compiling financial returns. The report summarised the findings from the certification of 2009/10 claims and returns.

The Council received more than £26 million funding from government departments and was responsible for collecting non-domestic rates to the value of £23 million which was paid over to the national pool.

Members noted that work undertaken to certify the Housing and Council Tax Benefits Subsidy claim for the Department of Work and Pensions (DWP) included a full review each year because of the high value and inherently high risk nature of the claim. This included carrying out detailed testing of individual claims for benefit to ensure the Council was calculating benefit entitlement correctly.

In response to a query it was explained that a limited review had been undertaken relating to two claims and a full review of one claim. For claims spanning over more than one year the entire life of the claim was tested. There had been no control or compliance issues following certification of the three claims with a total value of more than £49 million. For one housing benefit claim a minor amendment had been necessary and this had had no effect on the funding received by the Council.

Clarification was given that a sampling formula was used to determine the testing sample.

The Committee expressed their pleasure that no recommendations had been necessary for improvements and that the fees charged for certification work in 2009/10 had been £22,666. The estimated fee had been £25,000.

**RESOLVED – The report be noted.**

#### **11.AU.14 REFRESH OF THE COUNCIL'S STRATEGIC RISK REGISTER**

The Committee received and considered the Strategic Risk Register. This was the vehicle by which the Council aimed to identify and address any potential risks to the organisation and the delivery of its functions.

Rebecca Huddleston (Performance Improvement Manager) advised the focus and format of the Strategic Risk Register had been revised to avoid duplication. The Plan focussed on strategic risks to the organisation and delivery of functions rather than risks in not delivering the Corporate Strategy as these would be monitored more effectively through project and business plan risk registers.

The Strategic Risk Register now contained ten strategic risks to the Council, including actions in progress as well as actions planned to further mitigate them. Responsibility for the Register had moved from the Shared Assurance Service to the Policy team in order for it to be better aligned to strategy and policy development.

There was only one risk identified as being high - Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity). There were a number of controls in place and actions planned which should enable the Council to manage risks effectively.

In response to a query it was clarified that risks were rated, subjectively, against the matrix shown at paragraph 15 of the report. This reflected the likelihood of the risk occurring against the impact of it on the organisation if it did happen.

Members were advised that the Register was a live document and needed to be updated on an ongoing basis to reflect any new or emerging strategic risks facing the Council. The Register would be formally reviewed when the Corporate Strategy was refreshed in 6 to 8 months time.

**RESOLVED – That**

- 1 Members note the new format of the Strategic Risk Register.**
- 2 Members note the strategic risks, actions in progress and actions planned to further mitigate the strategic risks as set out in Appendix 1 of the report.**

#### **11.AU.15 INTERNAL AUDIT PLAN 2011/12**

Clare Ware (Shared Assurance Services Internal Audit Manager) presented a report highlighting the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council. The report summarised the basis of the Internal Audit Annual Plan for 2011/12 and the priority areas to be reviewed during the new financial year.

This Audit Committee, the Governance Committee at South Ribble Council and External Audit had previously been consulted on proposals to reduce Internal Audit inputs from 2011/12. The abolition of Comprehensive Area Assessment and Use of Resources inspections together with the recent Comprehensive Spending Review were now forcing most Councils, including Chorley, to revert to carrying out “core” audit work focussing mainly on key financial systems.

The proposed overall reductions amounted to 210 days, with 150 days reduction in Chorley’s Audit Plan (485 to 335). This was also due to the transfer to Shared Services of the Revenues and Benefits functions and aspects of the Finance function from both councils. This meant a corresponding increase for Shared Services of 90 days (155 to 245). The reductions would be achieved by not filling vacancies in Internal Audit which had existed since the formation of the Shared Services Partnership.

The Shared Services Joint Committee had recommended that the proposals be approved by the Cabinets of both authorities and a report will be submitted to Executive Cabinet on 31 March 2011.

In response to a query it was confirmed that the number of days allocated matched the resources within the team. The Audit Committee would receive regular reports on the progress made on the Plan with any issues being identified and brought to the attention of this Committee.

**RESOLVED That the Audit Committee approve the 2011/12 Internal Audit Plan, subject to the corresponding budgetary provisions being approved by the Executive Cabinet.**

Chair