

# Audit Committee

**Thursday, 19 January 2012**

**Present:** Councillor Anthony Gee (Chair), Councillor Julia Berry (Vice-Chair) and Councillors Paul Leadbetter, Pauline Phipps, Alan Platt, Dave Rogerson and Geoffrey Russell

**Officers Present:** Gary Hall (Chief Executive), Garry Barclay (Head of Shared Assurance Services), Chris Moister (Head of Governance), Clare Ware (Shared Financial Services Internal Audit Manager), Jan Minchinton (Principal Auditor (Chorley)), Gordon Whitehead (Principal Financial Accountant), Graeme Walmsley (Senior Human Resources & Organisational Development Consultant) and Dianne Scambler (Democratic and Member Services Officer)

**Also in attendance:** Fiona Blatcher (Engagement Lead, Audit Commission) and Tony Hough (Audit Manager, Audit Commission)

## **12.AU.34 APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor Marie Gray.

## **12.AU.35 MINUTES**

**RESOLVED – That the minutes of the Audit Committee meeting held on 29 September 2011 be confirmed as a correct record for signing by the Chair.**

## **12.AU.36 DECLARATIONS OF ANY INTERESTS**

No declaration of any interest were received.

## **12.AU.37 ANNUAL AUDIT LETTER 2010/11**

The Chair welcomed Fiona Blatcher (Engagement Lead) and Tony Hough (Audit Manager) from the Audit Commission who presented the external auditors' Annual Audit Letter, which summarised the findings of the Audit Commission's audit of the Council's accounts for 2010/11 and its assessment of the Council's arrangements to secure value for money in its use of resources.

The Audit Commission had reported its preliminary findings to the last meeting of the Audit Committee on 29 September 2011 and only a small number of changes had been made, the majority of which had been disclosure notes.

The auditors acknowledged that the Council had a good track record in delivering significant savings whilst maintaining and improving services. They also recognised that a key challenge for the Council would be the continued identification and delivery of further significant financial savings whilst still meeting local needs, but felt that the Council's response to current financial climate, together with its track record, indicated that they were well placed to meet the key challenges to be faced in the coming years.

At the conclusion of the audit, the Audit Commission had issued an unqualified audit opinion on the Council's financial statements for 2010/11 and an unqualified value for money conclusion, being satisfied that the Council had adequate arrangements in place.

**RESOLVED – That the Audit Letter for 2010/11, as presented by the Audit Commission, be noted.**

## **12.AU.38 CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2010 - 11**

The Audit Commission submitted its annual report of the Certification of claims and returns for 2010/11, providing assurance that claims for grants and subsidies are made properly and that information provided in the financial returns is reliable. The report also summarised any outcomes.

It was reported that the Council had effective arrangements in place to prepare accurate claims and returns. Most claims had been prepared in accordance with the relevant terms and conditions, with the provision of good working papers and claims reconciled back to the Council's records.

Only one return had been subject to amendment and a qualification letter. This had occurred following actions taken by officers to resolve long standing integrity issues with the National Non Domestic Rates (NDR) system. The issues were purely of a technical nature and did not impact on the overall security or robustness of the system

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

## **12.AU.39 AUDIT PLAN 2011 - 12**

The Committee received and considered a document from the Audit Commission which outlined the work the Commission proposed to undertake for the audit of the Council's 2011/12 financial statements and value for money conclusion, as based on the Commission's risk-based approach to audit planning.

Additional significant risks that were relevant to the audit of the accounting statements had also been taken into consideration and included:

- Heritage Assets
- Valuation of property, plant and equipment
- IAS 19 Pension liability

Members asked if the schedule of works being undertaken to identify these risks could be provided for information.

The Commission's scrutiny of the Council's arrangements to secure economy, efficiency and effectiveness would take into account the Council's arrangements for:

- securing financial resilience by managing its financial risks;
- challenging priorities and resources and improving productivity and efficiency.

The Audit Commission's proposed scale fee for 2011/12 audit was £99,066 for the 2010/11.

Chorley Council would be required to prepare its financial statements for 2011/12 by 30 June 2012, following which the Audit Commission would be expected to complete its audit and issue the opinion and value for money conclusion by 30 September 2012.

**RESOLVED**

- 1. That the audit plan for 2011/12 be noted.**
- 2. That the schedule of works being undertaken to identify the highlighted additional significant risks be provided to Members for information.**

## **12.AU.40 AUDIT COMMITTEE UPDATE 2011/12**

The Audit Commission submitted a report that provided the Committee with its progress in delivering their responsibilities as our external auditors, including an update in the externalisation of the Audit Practice.

The report also highlighted the key emerging national issues and developments that were felt may be of use to members that included:

- Final Accounts Workshops 2011/12
- Dealing with the economic turndown
- Procurement Fraud in the Public Sector
- Protecting the public Purse 2011
- Police Reform and Social Responsibility Act 2011
- Localism Act 2011
- Openness and Accountability in Local Pay

In response to a question members were informed that training and information would be given as and when needed on the changes that would occur within the Localism Act, particularly in relation to housing, planning and standards.

Members also sought assurance that the issue of subletting within registered social housing was being addressed and were advised that although all the registered social landlords (RSL's) were now more aware of this problem and the Council continues to work with the RSL's to identify fraud.

The Audit Commission also commented that it was still undecided as to whether future Audit Committee's would have to consist of independent members.

This was the first time that the Audit Commission had submitted this type of report and the Committee had found the information extremely useful in understanding the work of the Audit Commission and the role of the Audit Committee.

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

#### **12.AU.41 ANNUAL GOVERNANCE STATEMENT 2011 - PROGRESS REPORT**

The Head of Shared Assured Services submitted a report providing members of the Committee with an update on the progress that had been made on the implementation of several enhancements to the Council's system of governance as identified in the 2011 Annual Governance Statement that had been approved by the Committee in June 2011.

The corporate self assessment had identified several opportunities to enhance the Council's governance arrangements. These had since been incorporated into a detailed Action Plan and the Committee was updated with the progress made against each of the agreed improvements.

Officers advised Members of any actions to be taken against those improvements that were currently rated red to get them back on track, but all would be completed by the end of the current financial year.

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

#### **12.AU.42 INTERIM INTERNAL AUDIT REPORT**

The Committee received a report of the Head of Shared Assurance Services advising them of the work undertaken in respect of the Internal Audit Plans for the second four months of 2011/12.

Two appendices were attached to the report that provided information on the overall progress made in relation to the plans, indicating which audits had been completed, in progress or were yet to start, the time planned and actually spent on individual audits and information on Internal Audits performance against each of the identified tasks.

Members were informed of any significant management actions that were outstanding together with any underlying reasons, and advised of any general developments that involved or impacted on the work of the Internal Audit Service.

The service had secured 10 days paid work for some Internal Audit provision at St Catherine's Hospice, with a further 20 days proposed for 2012/13 and the Members of the Committee congratulated their efforts.

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

#### **12.AU.43 CONSULTATION ON INTERIM AUDITOR APPOINTMENT FOR 2012/13**

Members of the Committee received an update from the Audit Commission on the appointment of a new auditor for 2012/13. New contracts would be awarded for either three or five years, commencing audit of accounts for 2012/13. A procurement exercise was yet to be completed before they could confirm the national picture. Therefore they were not in a position to make any new auditor appointments before 1 September 2012.

As an auditor needed to be in place at the start of the financial year the Audit Commission were proposing to make an interim appointment to cover the period 1 April to 31 August 2012. For Chorley this meant extending the current auditors appointment, which both Members and Officers were happy to agree.

**RESOLVED – That the current auditors appointment be extended to 31 August 2012.**

#### **12.AU.44 DRAFT TREASURY STRATEGIES AND PRUDENTIAL INDICATORS 2012-12 TO 2014-15**

The Statutory Finance Officer presented a report on the draft prudential indicators and treasury strategy for 2013/14. Regulations require that the Strategy be approved by full Council and it was intended to submit it the Council meeting being held on 28 February 2012.

The report outlined the Council's prudential indicators for 2012/13 to 2013/14, setting out the expected treasury operations for that period and stated the policy for making the minimum provision for repayment of debt.

The Treasury Management Strategy 2012/13 had been prepared in accordance with the revised Code and as a minimum, a mid year monitoring report and a final report on actual activity after the year end would be submitted to the Council. The Audit Committee would continue to receive additional update reports during the year as required.

The Committee were given information on each of the key areas and members discussed them in turn:

- Borrowing and Investment Projections
- Economic outlook and expected movement in interest rates
- Borrowing Strategy
- Icelandic Investment
- Treasury Management Limits on Activity

Members also received information on the Councils Investment Strategy for 2012/13.

**RESOLVED – That the Audit Committee note the report and approve the recommendations to Council contained within the report.**

**12.AU.45 EXCLUSION OF THE PUBLIC AND PRESS**

**RESOLVED - That the press and public be excluded from the meeting for the following items of business on the ground that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972.**

**12.AU.46 RESPONSE TO EMPLOYMENT TRIBUNAL COMMENTS**

The Committee received a report of the Chief Executive informing members of a review of the reasons behind the Judgement of the Employment Tribunal relating to a former employee and Chorley Borough Council.

Members were verbally advised that only one change had been made to the Council's policies and procedures, to address an issue on the method of scoring, whereby panel members now had to score individually rather than collectively.

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

Chair