

CHORLEY BOROUGH COUNCIL

Audit Committee

Present: Councillor L Lennox (Chair), and Councillors K Ball, Mrs P Case, P Goldsworthy, G Russell and R Snape

Also in attendance: Gareth Kelly (Audit Commission) and Mike Thomas (Audit Commission)

06.AU.06 APOLOGIES FOR ABSENCE

No Apologies for absence were received.

06.AU.07 DECLARATIONS OF ANY INTEREST

No declarations of interest were declared.

06.AU.08 MINUTES

RESOLVED – That the minutes of the meeting of the Audit Committee on 9 January 2006 be confirmed as a correct record when Councillor Mrs Case was added to the Apologies of absence for signing by the Chair.

06.AU.09 USE OF RESOURCES AUDIT SCORE FEEDBACK

The Audit Commission submitted a report on the annual use of resources assessment which evaluates how well councils manage and use their financial resources. It is a more stringent test than the auditor scored judgements that formed part of the comprehensive performance assessment framework up until 2004. The scope of the assessment has been widened

The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services, covering five themes:

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

Previously, 'adequate arrangements' were sufficient to score 3, but under the new approach meeting 'adequate performance' will score 2.

For the year 2005/2006 the Authority overall score for use of resources was a 3. Chorley Borough Council is performing well on its use of resources.

This is the first time that the Authority has been assessed against this framework. It was identified that an Ethical Governance Culture needs to be implemented across the Authority This will be an annual test and it is expected that next time the test will be much harder. However some of the recommendations made by the Audit Commission have already been addressed.

RESOLVED – That the report be noted.

06.AU.10 INTERIM AUDIT REPORT

The Audit Commission submitted an interim report on the work undertaken as part of the Audit and Inspection plan for 2004/05. The work had been carried out to meet the Code of Audit Practice responsibilities, which included a review of financial core processes and aspects of corporate governance and findings from their review of Internal Audit carried out as part of the 2005/06 audit.

Findings were reported on an exception basis and only included the issues where they felt that the Council should consider strengthening its arrangements.

Their approach concentrated on three main aspects of Accounts, Financial aspects of corporate governance and Internal Audit and no significant issues arose from the three interim audit review areas. There were some processes identified that could be done better but no major concerns.

RESOLVED – That the report be noted.

06.AU.11 OPINION MEMORANDUM

The Audit Commission submitted an Opinion Memorandum summarising the matters arising from the audit of the Council's accounts for the year ended 31 March 2005. They gave the Authority an unqualified opinion, this is good news and some of the recommendations to improve have already been implemented.

The Audit Commission, as the Council's external auditors, have a responsibility to form an independent view on the accounts and issue an opinion as to whether they present fairly the financial position of the Council.

RESOLVED – That the report be noted.

06.AU.12 PERFORMANCE MANAGEMENT

The Audit Commission submitted a report of their findings relating to Performance Management within the Authority.

In 2004, the Authority's comprehensive performance assessment (CPA) found that on balance performance management weaknesses outweighed strengths. Over the past 12 months, the Authority has demonstrated a positive response to CPA. The performance management issues identified as needing further development have been incorporated into the corporate improvement plan (CIP) and action is now being taken to address them.

The Authority is continuing to take positive steps to strengthen arrangements for effective management, measurement and monitoring of performance. Current initiatives and future plans focus on the right areas in that they are aimed directly at identified weaknesses. Initiatives are generally supported by detailed action plans setting out clear priorities, target dates for deliveries, responsible officers and anticipated outcomes.

A number of recommendations have been made for the Authority to consider. The new corporate strategy has six strategic objectives, five of which mirror the community strategy priorities. In moving to a new corporate strategy, the Council will address in part some of the recommendations. The Council's sixth strategic objective is to ensure it is a performing organisation, and a key project for 2006/07 will be to embed effective performance and risk management.

RESOLVED – That the report be noted.

06.AU.13 BEST VALUE PERFORMANCE

The Audit Commission submitted a report on the Audit and Inspection Plan outlining the work that they propose to undertake in 2005/06. The new Code of Audit Practice provides a clearer focus of audit effort on overall financial and performance management arrangements.

The Council's Best Value Performance Plan complied with statutory guidance. The Audit Commission could not identify any matters to report to the Authority and have no recommendations to make on procedures in relation to the plan or statutory report.

The quality assurance arrangements on performance data is under developed as reflected in 40 per cent of 2005/06 Best Value Performance Indicators (BVPI) being inaccurate, with reservations placed on 5 out of 48 BVPIs. Guidance is available to staff on the intranet, but a more proactive and standardised approach is required given the number of errors identified by external and Internal Audit.

Improvements in the quality assurance framework would allow the Audit Commission to reduce its future level of testing and related fee by placing greater reliance on the Council's own arrangements.

RESOLVED – That the report be noted.

06.AU.14 INTERNAL AUDIT PLAN 2006/07

The Director of Finance submitted a report on the Annual Internal Audit Plan for 2006/07 and the priority areas to be reviewed during the new financial year.

The Audit Plan is structured into five sections:

- Corporate Governance
- Risk Management
- Business Critical Systems
- Financial Management
- Contingency

And 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 2006/07 Internal Audit Plan is approved and submitted to the Executive Cabinet for adoption.

06.AU.15 ROLE AND MEMBERSHIP OF THE AUDIT COMMITTEE

The Director of Finance submitted a report on proposals to address the recommendations made by the Audit Commission in the Use of Resources assessment, regarding the Audit Committee's remit and relationship with the Executive and Scrutiny functions and to recommend the Council's adoption of the new CIPFA model Terms of Reference for Audit Committees.

The report indicated that the Audit Committee has operated very effectively under its original terms of reference, but the new CIPFA Guidance stresses that the Committee now has a key role to play in monitoring the organisation's overall governance arrangements, including risk management and performance and holding the Executive to account on these matters. It has a particularly important role in tracking the implementation of recommendations made by external and internal audit in these areas.

This was recently endorsed by the Audit Commission in their Use of Resources report, whereby the Commission recommended the Council to “extend the Audit Committee’s terms of reference to more clearly specify its risk and governance remit and to support this with more awareness training”. The Commission also recommended that the Audit Committee should be “independent of both Executive and Scrutiny functions”

- RESOLVED – 1. That the new CIPFA model Terms of Reference of the Audit Committees be adopted.**
- 2. That the terms of reference of the Audit Committee and Overview and Scrutiny Committee be aligned to provide greater clarity of remit and avoidance of overlap.**
 - 3. That the actions necessary to ensure compliance with the new CIPFA Guidance on Audit Committees are implemented.**
 - 4. That the Audit Commission be consulted to determine what flexibilities may exist in terms of Audit Committee composition and membership and the Director of Finance be requested to submit a report to the Annual Council meeting for consideration.**

Chair