

# CHORLEY BOROUGH COUNCIL

## Audit Committee

**Present:** Councillor John Wilson (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Keith Iddon, Geoffrey Russell, Shaun Smith, Mrs Joyce Snape and Mary Wilson

**Officers Present:** Gary Hall (Director of Finance), Donna Hall (Chief Executive), Garry Barclay, (Audit and Risk Manager), Dianne Scambler (Trainee Democratic Services Officer) and Tony Uren (Democratic Services Officer)

**Also in attendance:** Gareth Kelly (Audit Commission) and Allen Graves (Audit Commission)

### 06.AU.16 APOLOGIES FOR ABSENCE

No apologies for absence were received.

### 06.AU.17 DECLARATIONS OF ANY INTEREST

No declarations of interest were declared.

### 06.AU.18 MINUTES

**RESOLVED – That the minutes of the meeting of the Audit Committee on 27 March 2006 be confirmed as a true record.**

### 06.AU.19 ROLE & FUNCTIONS OF THE AUDIT COMMITTEE

The Audit and Risk Manager gave a presentation to Members on the Role and Function of the Audit Committee. The presentation highlighted:

- The need to revise the structure and functions of the Audit Committee in order to secure compliance with the new CIPFA guidance on best practice;
- The importance of compliance with the new guidelines in terms of future CPA assessments;
- The need to establish a separation of functions between the Audit Committee and executive/scrutiny functions;
- The role of the Audit Committee in overseeing the operation of the Councils overall corporate governance and internal control framework, and ensuring that the processes and procedures are in place to offset identified risks; and
- The need to avoid any duplication within the work programmes of the Audit Committee and the Overview and Scrutiny Committee.

The Committee thanked the Audit and Risk Manager at the conclusion of his presentation and noted the significant implications of the new CIPFA guidance.

### 06.AU.20 INTERNAL AUDIT ANNUAL REPORT 2005/6

The Director of Finance submitted a report to summarise the work under taken by the Internal Audit Service during the 2005/06 financial year and to give an opinion on the adequacy and effectiveness of the control environment in the Council as a whole and in individual service areas. An appraisal was also given of the Internal Audit's performance.

The report also highlighted the following achievements and developments within the service:

- Co-ordinating the Use of Resources/Value for Money self assessment exercises on behalf of the Council, which led to an auditor scored judgement of 3, indicating that the authority is performing well in this area.
- Charting all the main financial systems and evaluating the key controls in accordance with the new International Standards in Auditing (ISA).
- Overseeing the review of the system of internal control and producing the statement on Internal Control.
- Assisting with the establishment of the new Audit Committee arrangements to comply with CIPFA guidelines.
- Revising the processes and formats for producing risk registers at the strategic and operational/service levels.
- Overseeing the process to renew the Council's insurances.

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

#### **06.AU.21 STATEMENT ON INTERNAL CONTROL**

A report was submitted by the Corporate Governance Group to advise the Members of the Audit Committee of the statutory and other regulatory obligations now placed on the Council to continuously review its system of internal control and to formally publish a Statement of Internal Control alongside its financial statements.

The report also explained the structure and processes that had been put in place within the Council to enable the Statement of Internal Control to be produced and invited Members to review and approve the draft Statement of Internal Control, which had been produced in accordance with CIPFA guidelines. The approved Statement would need to be formally signed-off by the Leader and Chief Executive and be submitted for external audit as part of the 2005/06 financial statements.

A number of questions were raised that the Audit and Risk Manager, the Chief Executive and the Director of Finance answered to the satisfaction of the Members.

**RESOLVED – 1. That the draft Statement of Internal Control be approved and formally signed off by the Executive Leader and Chief Executive before being submitted for external audit as part of the 2005/06 financial statements.**

#### **06.AU.22 EXTERNAL AUDIT & INSPECTION PLAN 2006-7**

The Audit Commission submitted a report on the Audit and Inspection Plan of the Council. The plan set out the audit and inspection work that the Commission proposed to undertake in 2006/07. The plan had been drawn up from their risk-based approach to audit planning and reflected:

- The Code of Audit Practice;
- Audit and inspection work specified by the Audit Commission for 2006/07;
- Our local risks and improvement priorities; and
- Current national risks relevant to local circumstances.

Mr Kelly also advised the Committee of the current consultation the likely methodology and envisaged timetable for future CPA assessments.

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

#### **06.AU.23 ETHICAL GOVERNANCE REVIEW**

The Audit Commission submitted a report on setting high ethical standards and ethical governance. The report set out the scope and objectives of the audit. When the work is undertaken the Council and its Members and Officers should:

- be more aware of the ethical agenda;
- have a better understanding of the ethical health of the Council;
- have a better understanding of how well the Council is measuring up to the Audit Commission's comprehensive performance assessment requirements; and
- have a better understanding of what further action is needed to take to meet the desired standards.

The Audit Commission will undertake a document review, hold interviews with Key Members and Officers and deliver a facilitated workshop to help Members and Officers on key issues.

The Chief Executive suggested that the Committee might wish to become more proactively involved in monitoring the authority's ethical governance and indicated that the new Director of Customer, Democratic and Legal Services would be tasked to review this issue.

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

#### **06.AU.24 FORTHCOMING KEY REPORTS AND ITEMS**

The Audit and Risk Manager distributed the Audit Committee Programme for 2006/07 to Members. The programme outlined the key reports and items that would be brought to this Committee by both external and internal audit services at a future date.

This would become a regular item on the agenda and Members would receive a scoping document on the reports identified to consider before the next meeting.

The Chair requested that a short meeting could be arranged before the next Committee to discuss the scoping document circulated on the Management of Partnerships and Partnering Contracts.

**RESOLVED – That a meeting would be scheduled to take place shortly before the training being provided for Members of the Committee on Ethical Governance by the Audit Commission.**

#### **06.AU.25 ACCOUNTABILITY OF EXECUTIVE CABINET**

The Director of Finance asked Members to consider the best way for the Audit Committee to hold the Executive Cabinet to account on key issues.

**RESOLVED – That the Director of Finance be requested to produce a report outlining the various options for means by which the Audit Committee can monitor the performance of the Executive Cabinet for submission to the next meeting of the Committee.**

Chair