

REPORT OF AUDIT COMMITTEE

GENERAL REPORT

1. This report summarises briefly the principal elements of the items discussed at the meeting of the Audit Committee held on 24 June 2009.

Role of Audit Committee and Auditors

2. The Head of Shared Assurance Services gave a short presentation to the Committee on the role of the Audit Committee and our internal and external auditors for the particular benefit of the Members new to the Committee.
3. The Officer highlighted the specific role of the Audit Committee in providing an objective voice in the audit process by overseeing the adequacy of the Council's governance, risk management and internal control arrangements.
4. The Council is, in fact, required to produce an Annual Governance Statement, which is essentially a corporate self-assessment measured against six core principles. The statement forms part of the authority's financial statement for the year and is reviewed by the Audit Committee in advance of its signing-off by the Executive Leader and the Chief Executive. The Committee is also responsible for ensuring the adoption of an appropriate corporate risk management strategy capable of identifying and mitigating any risks.
5. The presentation also explained the differing roles of the Audit Committee and the Overview and Scrutiny Committee and the internal and external audit bodies.

Role of External Auditors

6. We welcomed Fiona Blatcher (Engagement Lead) and Tony Hugh (Audit Manager) from the Audit Commission and thanked Fiona for her address on the Commission's role as Chorley Council's external auditors.
7. Ms Blatcher clarified the Auditors' two principal duties in auditing the authority's accounts and commenting on whether there are proper arrangements in place to secure economy, efficiency and effectiveness of the service (ie value for money). In addition, the Audit Commission now appoints Comprehensive Area Assessment Leads, responsible for the planning, co-ordination and delivery of the Audit Commission's inspection in relation to the new assessment regime.
8. Ms Blatcher also explained the criteria used by the Auditors in their annual assessment of the authority's use of resources based upon their evaluation of three Key Lines of Enquiry (KLoE) (ie managing finances; governing the business and managing resources). A new scoring criteria is to be employed in 2009/10, with only the workforce planning element of the KLoE needing to be assessed. The ultimate conclusion on the authority's value for money performance is based on the Auditors' opinion of whether or not the Council has put in place proper arrangements to secure the three KLoEs.
9. The presentation also provided an insight into the process that would be involved under the new Comprehensive Area Assessment (CAA) regime leading up to a Lancashire Area Assessment in November 2009. The Lancashire-wide assessment will include separate organisational assessments of each Lancashire District (excluding Blackpool and Blackburn with Darwen), taking account of each District's use of resources and performance management. Ms Blatcher emphasised the importance of the Local Strategic Partnership and the Council's scrutiny function to the eventual CAA rating.

Annual Governance Statement for 2008/09

10. We received a report of the Corporate Director (Governance) presenting the third draft Annual Governance Statement for 2008/09 which reviews the framework in place to monitor the systems, processes, culture and values by which they authority directs and controls its activities.
11. The Statement has been compiled after taking account of a corporate self-assessment and Director Self-Assurance Statements and an appendix to the Statement lists the actions that will be taken to address identified issues for inclusion in the various Directorates' Business Improvement Plans.
12. We commended the Officers on the presentation of a clear and concise Governance Statement, which we endorsed for signature by the Executive Leader and the Chief Executive in advance of its submission for external audit as part of the 2008/09 financial statements.

Annual Statement of Accounts, 2008/09

13. The Audit Committee received a report from the Assistant Chief Executive (Business Transformation) seeking approval to the Financial Statement for 2008/09, which sets out and comments on the draft accounts for the financial year.
14. The Assistant Chief Executive's report drew attention to the principal elements of the accounts and the salient issues and factors that have influenced the current financial position of the authority.
15. The financial statement reveals a net revenue overspend of £0.115m in 2008/09, caused principally by a £0.135m overspend on Concessionary Travel. The level of the Council's working balances, however, has increased to £1.601m since the last forecast in February 2009, which is additional to the £1.319m of specific, or earmarked, reserves. The Capital Programme provisional outturn for 2008/09 is £5.235m, a reduction of £3.348m, much of which is due to the re-phasing of costs or schemes that are financed from external grants or contributions.
16. On a cautionary note, the Assistant Chief Executive drew attention to the uncertainty of the economic climate and envisaged financial position over the forthcoming few years, advocating the need for a radical re-assessment of services and stringent financial planning for the next two years.
17. Following a comprehensive debate and consideration, the Audit Committee approved the submitted Financial Statement for 2008/09 for submission to the external auditors.

Audit Opinion Plan for 2008/09 (Revised)

18. Our external auditors, the Audit Commission, presented their revised Audit Opinion Plan for 2008/09, which updated the initial audit plan issued in June 2008.
19. The initial audit plan, being produced at the start of the financial year, was unable to specify the detailed risks that the auditors would need to consider as part of their audit work.
20. The revised report set out the approach that had been taken to identify opinion audit risks, which had resulted in the following specific risks being identified:
 - Preparation of the accounts by the Shared Financial Services function.
 - Impact of the current economic climate.

- Impact of Chorley's £2m "at risk" investment in Landsbanki.

21. The Auditors' revised audit opinion plan also contained their response to the identified risks.

Internal Audit Annual Report for 2008/09

22. The Committee received a report of the Assistant Chief Executive (Business Transformation) which summarised the work undertaken by the Internal Audit Section during the 2008/09 financial year.
23. The report revealed that, despite the diversion of some staff resources away from audit work to support the shared services project, the Section had still achieved the planned number of audit assignments in 2008/09. An appendix to the report scheduled the Internal Audit work undertaken during the past financial year, and gives individual opinions on the adequacy of control for each of the areas examined, with a commentary on the key control issues identified.
24. The Committee were pleased to note that, after taking into account all relevant factors and judgements, in the opinion of the Internal Audit Section, the Council continues to operate within a sound control environment.

Annual Audit Fee for 2009/10

25. We received a letter from the Audit Commission informing the Council that the Commission's total indicative fee for the audit work planned for 2009/10 has been calculated as £110,400 (exclusion of VAT). The fee reflects only the audit element of the Commission's fees, excluding any inspection and assessment fees which will be identified separately.
26. The Committee noted the Audit Commission's projections, but hoped that the Commission would be able to review the fees position during the course of the year, with a view to the total fees being reduced to reflect any likely reductions in the planned outputs of the audit work.

Members Allowances and Expenses

27. Upon my request, the Corporate Director (Governance) presented the Committee with a report clarifying the policies and processes adopted in relation to Members' allowances and expenses.
28. Chorley Council's Members' Allowances Scheme is agreed by the full Council upon consideration of recommendations from an Independent Remuneration Panel. The scheme of allowances is compiled from the framework established by Government Regulations and is publicly accessible on the Council's website, together with details of the actual allowances and expenses paid to Councillors during each financial year.
29. In addition, Members are provided with a laptop and telephone to assist them in carrying out their duties as a Councillor and a permit for use on Council car parks.
30. We welcomed the report as confirmation of Chorley Council's adherence to a fair and regulated scheme of allowances, but requested the Member Support Working Group to review and clarify the terms and conditions of use of the car park permits issued to Members.

Recommendation

31. The Council is recommended to note this report.

COUNCILLOR ANTHONY GEE
Chair of Audit Committee

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There are no background papers to this report.