

Audit Committee

Wednesday, 24 June 2009

Present: Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Marie Gray, Keith Iddon and Geoffrey Russell

Officers Present: Gary Hall (Assistant Chief Executive (Business Transformation)), Andrew Docherty (Corporate Director of Governance), Garry Barclay (Head of Shared Assurance Services), Susan Guinness (Head of Shared Financial Services), Clare Ware (Shared Financial Services Internal Audit Manager), Michael Jackson (Principal Management Accountant), Lee Hurst (Systems Development & Exchequer Services Accountant) and Tony Uren (Democratic and Member Services Officer)

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

09.AU.14 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Debra Platt.

09.AU.15 DECLARATIONS OF ANY INTERESTS

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

09.AU.16 MINUTES

RESOLVED – That the minutes of the meeting of the Audit Committee held on 19 March 2009 be confirmed as a correct record and signed by the Chair.

09.AU.17 ROLE OF THE AUDIT COMMITTEE AND AUDITORS

The Head of Shared Assurance Services gave a short presentation to the Committee on the role of the Audit Committee and the respective remits of external and internal auditors.

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 was highlighted.

The Officer also referred to the requirement for the Council to produce an Annual Governance Statement, a corporate self-assessment measured against six core principles. The Statement formed part of the Authority's financial statement for the year and was reviewed by the Audit Committee in advance of its signing-off by the Executive Leader and the Chief Executive.

The presentation also emphasised the Committee's responsibility for ensuring the adoption of an appropriate corporate risk management strategy capable of identifying and mitigating any risks. The Officer also explained the differing roles of the Audit Committee and the Overview and Scrutiny Committee and the internal and external audit bodies.

The Chair thanked the Head of Shared Assurance Services for his address and the Members accepted the importance of an on-going training programme for Audit Committee Members.

09.AU.18 ROLE OF EXTERNAL AUDITORS

The Chair welcomed Fiona Blatcher (Engagement Lead) and Tony Hough (Audit Manager) from the Audit Commission and requested Ms Blatcher to give a short address on the Commission's role as Chorley Council's external auditors.

Ms Blatcher clarified the Auditor's two principal duties in auditing the Authority's accounts and commenting on whether there were proper arrangements in place to secure economy, efficiency and effectiveness of the service (ie value for money).

Ms Blatcher also explained the criteria used by the Auditors in their annual assessment of the Council's use of resources as based upon their evaluation of three Key Lines of Enquiry (KLoE) (ie managing finances; governing the business; and managing resources). A new scoring criteria was 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 was based on the Auditors' opinion of whether or not the Council had put in place proper arrangements to secure the three KLoE.

The presentation also provided an insight into the processes necessitated by the new Comprehensive Area Assessment (CAA) regime leading up to a Lancashire Area Assessment in November 2008. The Lancashire-wide assessment would 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. The Local Strategic Partnership and the Council's scrutiny function were expected to play key roles in the awarding of the eventual CAA rating of the Borough.

The Chair thanked Ms Blatcher at the conclusion of her informative address.

09.AU.19 ANNUAL GOVERNANCE STATEMENT FOR 2008/09

The Corporate Director (Governance) presented a report seeking the Committee's approval of the Annual Governance Statement for 2008/09, which would form part of the Authority's Statement of Accounts for the financial year.

The draft Statement was the third Statement to review the framework in place to monitor the systems, processes, culture and values by which the Authority directs and controls its activities.

The Statement had been compiled after taking account of a corporate self-assessment and Director Assurance Statements and an appendix to the Statement listed the actions that would be taken to address the identified issues for inclusion in the various Directorates' Business Improvement Plans.

The Chair and Members commended the Officers on the presentation of a clear and concise Governance Statement, which had been produced in accordance with CIPFA/SOLACE guidelines.

RESOLVED – That the draft Annual Governance Statement, as now presented, be approved for formal signing-off by the Executive Leader and the Chief Executive prior to submission for external audit as part of the 2008/09 financial statements.

09.AU.20 ANNUAL STATEMENT OF ACCOUNTS, 2008/09

The Audit Committee received and considered a report of the Assistant Chief Executive (Business Transformation) seeking approval of the Financial Statements for 2008/09, which set out and commented on the draft accounts for the financial year.

The Assistant Chief Executive's report drew attention to the principal elements of the accounts and the salient issues and factors that had influenced the current financial position of the authority.

The financial statement revealed 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, had increased to £1.601m since the last forecast in February 2009, which was additional to the £1.319m of specific, or earmarked, reserves. The Capital Programme provisional outturn for 2008/09 totalled £5.235m, a reduction of £3.348m, much of which was due to the re-phasing of costs or schemes that were financed from external grants or contributions.

On a cautionary note, the Assistant Chief Executive drew attention to the uncertainty of the current 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.

The Assistant Chief Executive expressed his appreciation of the efforts of his staff in producing the Financial Statement under difficult circumstances during the transition to a shared financial service.

RESOLVED – That the report be noted and that the Council's Financial Statement for 2008/09, as now presented, be approved for submission to the external auditors.

09.AU.21 AUDIT OPINION PLAN FOR 2008/09 (REVISED)

The Audit Commission presented its revised External Audit Opinion Plan for 2008/09, which updated the initial audit plan issued in June 2008.

The initial audit plan produced at the start of the financial year had been unable to specify the detailed risks that the auditors would need to consider as part of their audit work. Consequently 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.

The Auditors' revised audit opinion plan also contained their respective responses to the identified risks.

RESOLVED – That the revised Audit Opinion Plan for 2008/09 be noted.

09.AU.22 INTERNAL AUDIT ANNUAL REPORT FOR 2008/09.

The Committee considered a report of the Head of Shared Assurance Services which summarised the work undertaken by the Internal Audit Section during the 2008/09 financial year.

An appendix to the report scheduled the Internal Audit work undertaken during the past year, showing individual opinions on the adequacy of control for each of the

areas examined, with a commentary on the key control issues identified. The annual review of the key controls in all the main financial systems had resulted in a “sound” judgement, and the report confirmed the opinion of the Internal Audit Section that the Council continued to operate within a sound control environment.

The report also 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 assignments in 2008/09.

RESOLVED – That the Internal Audit Annual Report for 2008/09 be noted.

09.AU.23 ANNUAL AUDIT FEE FOR 2009/10

The Audit Committee 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 had been calculated as £110,400 (exclusive of VAT). The fee reflected only the audit element of the Commission’s fees, excluding any inspection and assessment fees which would be identified separately and reported to a future meeting.

RESOLVED – That the letter be noted, but that the Audit Commission be requested 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.

09.AU.24 MEMBERS’ ALLOWANCES AND EXPENSES

Following a request of the Chair, the Corporate Director (Governance) presented the Committee with a report clarifying the policies and processes adopted in relation to Members’ allowances and expenses.

The report confirmed that Chorley Council’s Members’ Allowances Scheme was agreed by the full Council upon consideration of recommendations from an Independent Remuneration Panel. The scheme of allowances was compiled from the framework established by Government Regulations and was publicly accessible on the Council’s website, together with details of the actual allowances and expenses paid to Councillors during each financial year.

In addition, the Chair reminded the Committee that Members were provided with a laptop and telephone to assist them in carrying out their duties as a Councillor, together with a permit for use on Council car parks.

RESOLVED – (1) That the report be noted and welcomed as confirmation of Chorley Council’s adherence to a fair and regulated scheme of allowances.

(2) That the Member Support Working Group be requested to review and clarify the terms and conditions of use of the car park permits issued to Members.

Chair