

Audit Committee

Thursday, 24 September 2009

Present: Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Marie Gray, Debra Platt 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) and Tony Uren (Democratic and Member Services Officer)

Also in attendance: Fiona Blatcher (Engagement Lead, Audit Commission)

09.AU.25 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Keith Iddon.

09.AU.26 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.27 MINUTES OF LAST MEETING

RESOLVED – That the minutes of the meeting of the Audit Committee held on 24 June 2009 be confirmed as a correct record for signature by the Chair.

09.AU.28 STATEMENT OF ACCOUNTS FOR 2008/09

The Assistant Chief Executive (Business Transformation) presented a report seeking approval of the audited Statement of Accounts for 2008/09.

The Statement of Accounts had been endorsed by the Committee at its last meeting on 24 June 2009 for submission to the external auditors, the Audit Commission.

Other than a few minor presentational issues, the Auditors had recommended adjustments in respect of the following two matters, neither of which was considered to be "material" for reporting purposes:

- The combination of certain factors had led the Icelandic Landsbanki administrators to predict that the likely payment to creditors would fall from 95% to 83%. This resulted in an increase of £195,000 in Chorley's impairment charge, which would be offset by an increase of £100,000 in the interest brought into the account.
- Creditors valued at £665,000 incorrectly analysed as "sundry" related to amounts due to other authorities.

The Audit Commission had indicated their intention to issue an unqualified audit opinion on the Statement of Accounts.

The Chair referred to the Statement's comments on the current state of the Lancashire Pension Fund, drawing attention to the prediction from the outcome from the fund valuation that there was likely to be an underlying deficit in the fund, necessitating incremental rises in employers' contributions.

RESOLVED – (1) That the report be noted and that, after taking account of the Audit Commission’s Annual Governance Statement, the audited and amended Financial Statement of Accounts for 2008/09, as now presented, be approved for signature by the Chair of the Audit Committee, the Executive Leader and the Assistant Chief Executive (Business Transformation).

(2) That the Audit Committee’s concern at the possibility of investment returns being insufficient to meet the future demands on the Pension Fund be conveyed to the Executive Cabinet and that the Executive Cabinet be requested to consider, as part of the impending triennial review, any action deemed necessary to address and mitigate the impact of a possible shortfall in the Fund.

09.AU.29 ANNUAL INSPECTION FEES 2009/10

The Committee received a letter from the Audit Commission informing the Council that the Commission’s total indicative fee for inspection work planned for 2009/10 had been calculated as £8,320. The fee had been based on a risk-based approach to inspection planning defined in the Comprehensive Area Assessment framework which would target primarily high risk services. The Audit Commission’s expected fees for basic audit work had been reported to the last meeting of the Committee.

Fiona Blatcher stated that the Audit Commission’s audit fees could be reviewed in order to take account of the impact of the Shared Services venture. While it would still be necessary to audit separate accounts from both Chorley and South Ribble Councils, the fact that the auditors would be dealing with the same Officers in some instances might justify economies.

RESOLVED – That the letter be noted.

09.AU.30 ANNUAL GOVERNANCE REPORT

The Audit Commission submitted its Annual Governance Report which summarised the findings of the Commission’s 2008/09 audit which was substantially complete.

The report referred to the specific risks and key areas of judgement that had been taken into account, together with the principal issues identified during the audit. These issues included the receipt of late guidance on the likely recoverable amounts in respect of the Council’s investments in Icelandic banks; a classification error within the creditors disclosure note; and the omission of a note analysing general Government grants. The auditors were, however, satisfied that none of the identified issues had impacted on the Council’s reported outturn position.

The Audit Commission’s assessment of Chorley’s Use of Resources aimed to judge how well the Council managed and used its resources to deliver value for money and better and sustainable outcomes for local people. The past year had been the first year in which the Commission’s new methodology in evaluating Use of Resources had been adopted. The Council had been assessed as performing well, having been awarded a score of 3 for Managing Finances and Governing the business and a maximum score of 4 for Managing Resources.

The report confirmed that the Audit Commission, following its assessment of the corporate arrangements for securing economy, efficiency and effectiveness in the Council’s use of resources, had concluded that the arrangements were adequate.

In conclusion, the Audit Commission’s report stated that, as its 2008/09 audit of Chorley was substantially complete, it expected to issue an unqualified conclusion to the Council’s value for money arrangements and an unqualified opinion on the audit by 30 September 2009.

RESOLVED - (1) That the Audit Commission's Governance Report for 2008/09 be welcomed.

(2) That the letter of management representation, as set out in the Auditor's Governance Report, confirming the validity of information supplied to the Auditors, be approved for signature by the Chair and the Assistant Chief Executive (Business Transformation).

09.AU.31 INTERNAL AUDIT - INTERIM REPORT ON 2009/10 ACTIVITIES

The Head of Shared Assurance Services presented the first interim report on the progress of the work undertaken in respect of the Annual Internal Audit Plan between 1 April and 28 August 2009.

Appendices to the report provided both a general summary of the overall progress made in relation to the 2009/10 Internal Audit Plan, together with a more detailed analysis of the projects undertaken to date. The number of audits that had been completed; were currently in progress; or had yet to commence, were highlighted in the report. An adequate control rating had been awarded to the two completed audit projects on the Markets and the Internet and E-mail policy. The report confirmed that the Internal Audit Section was on course to complete its Audit Plan by the end of the financial year.

A separate appendix provided information on the performance of the Internal Audit Section up to the end of August 2008, as judged against indicators based on work undertaken by the UK public sector audit agencies in 2007, following service user and staff consultation. Similarly, the report confirmed that the majority of measures were either on or around target.

The report also drew attention to a number of other developments which impacted on the Internal Audit Section, including an opportunity to improve the customer liaison process before, during and after audit assignments.

RESOLVED – That the report be noted.

Chair