

# **Audit Committee**

**Thursday, 18 March 2010**

**Present:** Councillor Anthony Gee (Chair) and Councillors Marie Gray, Debra Platt and Geoffrey Russell

**Officers Present:** Gary Hall (Director of Transformation), Garry Barclay (Head of Shared Assurance Services), Chris Moister (Head of Governance), Andy Armstrong (Shared Financial Services Risk Manager), Clare Ware (Shared Financial Services Internal Audit Manager) and Tony Uren (Democratic and Member Services Officer)

**Also in attendance:** Fiona Blatcher (Engagement Lead, Audit Commission) and Michael Green (Audit Manager, Audit Commission)

## **10.AU.39 APOLOGIES FOR ABSENCE**

An apology for absence was submitted on behalf of the Vice-Chair (Councillor Laura Lennox).

## **10.AU.40 DECLARATIONS OF ANY INTERESTS**

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

## **10.AU.41 MINUTES OF LAST MEETING**

The minutes of the last meeting of the Audit Committee held on 4 January 2010 were confirmed as a correct record for signature by the Chair.

## **10.AU.42 CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT FOR 2008/09**

The Committee received and considered the annual report from the Audit Commission on the outcome of its work to review and certify three major claims by Chorley Council for Government grant aid in 2008/09.

The Borough Council received in excess of £22m from Government Funding Departments and was responsible for the collection of approximately £20m of non-domestic rates paid into the national pool, both of which were subject to external audit certification.

The Council needed to demonstrate to the Audit Commission that the relevant conditions applying to the grant claims had been met and that the application process had been managed satisfactorily, otherwise the funding could be put at risk.

The Audit Commission had reviewed the three claims for grant funding with a total value of £42.5m submitted by Chorley Council in 2008/09. The auditors' report and certification of the claims and returns had made only one minor amendment to correct a classification error and had not identified any areas of concern.

One of the Committee Members requested a more detailed breakdown of the total fees charged by the Audit Commission for grant certification work in 2008/09.

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

#### **10.AU.43 IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN LOCAL GOVERNMENT**

The Committee received a briefing note from the Audit Commission on the implications of the implementation of International Financial Standards (IFRS) in relation to the preparation of local authorities' 2010/11 accounts.

The briefing note had been issued to all local authorities and Finance Portfolio Holders to raise awareness of the need for authorities to ensure that their 2010/11 accounts were compiled in accordance with both the substantial new procedures stipulated within the international standard and the CIPFA timetable set out in the auditors' report.

The Director of Transformation highlighted a number of issues that were being addressed, but confirmed that the preparation of the accounts were on track.

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

#### **10.AU.44 ASSURANCE SERVICES STRATEGY FOR 2010/11**

The Head of Shared Assurance Services presented a report seeking endorsement of a Strategy for the Assurance Service in 2010/11.

The Partnership Service Level Agreement and the CIPFA Code of Practice required the annual production and update of strategies for Internal Audit and Risk Management. The new Strategy recommended for adoption had been compiled to take account of the core purpose and guiding principles for the strategic direction of the Shared Financial Services initiative as a whole, and set out a strategy and detailed work programme for Assurance Services, which, in addition to the above work streams, also encompassed Emerging and Business Continuity Planning and Insurance Services.

The Director of Transformation highlighted the significance of the strategy document for the Audit Committee in terms of its emphasis of the Partnership's commitment to the provision of an exceptional service.

**RESOLVED – That the Strategy for the Shared Financial Services Assurance Services for 2010/11 and beyond, as now presented, be approved for implementation.**

#### **10.AU.45 INTERNAL AUDIT ANNUAL PLAN FOR 2010/11**

The Head of Shared Assurance Services presented the draft Internal Audit Plan for 2010/11.

The Plan summarised the work that would be undertaken by the Audit staff under the following priority areas to be reviewed during the financial year and outlined the respective roles of Managers and the Internal Audit Section in maintaining a sound system of governance and internal control within the Council:

- Corporate Governance;
- Anti-Fraud and Corruption;
- Review of Key Business Systems;
- Review of any significant risks associated with ICT;
- Review of Financial Systems;
- Review of Key Operations;
- Review of other General Areas.

The Plan envisaged that an internal audit resource equivalent to 485 days would be allocated for the audit work within each of the Chorley and South Ribble districts, with an additional 155 days work devoted to the audit of the Shared Services function.

An appendix to the report gave a snapshot of the internal audit work to be undertaken during the year and the Chair assured the Committee that the Plan included provision for the review of any unplanned, urgent issues required during the year.

**RESOLVED – That the Internal Audit Plan for 2010/11, as now presented, be approved for adoption.**

#### **10.AU.46 FRAUD RISK MANAGEMENT**

The Committee received and considered a report of the Head of Shared Assurance Services on the outcome of a recent review by the Risk Management Team to identify exposure to the risks of fraud both corporately and within individual services.

Both the Audit Commission and the Chartered Institute of Public Finance and Accountancy had produced guidance on measures which local authorities were recommended to have in place to maximise the prevention of fraud. The recent review had been conducted both to ensure that the Council's procedures and arrangements complied with the published guidelines and to monitor implementation of the remaining actions in the Council's Fraud and Corruption Risk Register.

The review had resulted in the compilation of a revised action plan aimed at ensuring the completion of the 15 outstanding actions identified within the Fraud and Corruption Risk Register.

The Committee were reminded that there had been few instances of fraud within the authority, largely as a result of the effective measures and procedures introduced by the Council, and the Chair thanked the Risk Management Section for its work and diligence.

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

Chair