

# Audit Committee

**Wednesday, 30 June 2010**

**Present:** Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Judith Boothman, Magda Cullens, Alan Platt and Geoffrey Russell

**Officers Present:** Gary Hall (Director of Transformation), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Clare Ware (Shared Financial Services Internal Audit Manager), Jan Minchinton (Principal Auditor (Chorley)) and Tony Uren (Democratic and Member Services Officer)

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

## **10.AU.47 WELCOME TO NEW MEMBERS**

The Chair welcomed Councillors Judith Boothman and Alan Platt, who were attending their first meeting as new members of the Audit Committee, together with Councillor Magda Cullens, who had served on the Committee in past years.

## **10.AU.48 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.49 MINUTES OF LAST MEETING**

The minutes of the last meeting of the Audit Committee held on 18 March 2010 were confirmed as a correct record for signature by the Chair.

## **10.AU.50 TREASURY MANAGEMENT ANNUAL REPORT FOR 2009/10**

The Director of Transformation presented a report reviewing the Council's Treasury management performance in terms of its investment and borrowing activities in 2009/10.

An appendix to the report summarised the Council's performance during the year, which the report confirmed had complied with the targets, limitations and prudential indicators set by the CIPFA Prudential Code.

Capital expenditure had increased by £0.6m during the year, principally as a result of restructuring costs, and the report also indicated that the Council's net borrowing (ie borrowing less investments) of £1.784m at 31 March 2010 was substantially less than the Capital Financing Requirement, as required by the prudential code.

The report also contained an update on the Authority's efforts to secure recovery of its frozen deposits in the Icelandic Landsbanki. Whilst the forecast recovery rate continued to fluctuate, the latest forecast suggested a recovery of 95% of claims over a period of up to 2018, provided that the Council's claim was afforded preferred creditor status.

**RESOLVED – (1) That the report be noted.**

**(2) That the Council's Treasury position and performance against prudential indicators for 2009/10, as set out in the report, be noted.**

**(3) That the charging of the £510,309 impairment (net of interest) for Icelandic investments to the 2009/10 General Fund account be noted.**

#### **10.AU.51 ANNUAL GOVERNANCE STATEMENT FOR 2009/10**

The Head of Shared Assurance Services presented a report seeking the Committee's approval of the Annual Governance Statement for 2009/10, which would form part of the Authority's Statement of Accounts for the financial year. The draft Statement reviewed the framework in place to monitor the systems, processes, culture and values by which the authority directed and controlled its activities.

The Statement had been compiled after taking account of a corporate self-assessment and service assurance statements and listed a number of actions to address identified issues for inclusion in the various Directorates' Business Improvement Plans.

The Council also had a new requirement to assess the role and support given to its Chief Finance Officer. The Committee was advised that the internal review had revealed full compliance with the requirements of the Local Code of Corporate Governance and no improvement actions had been identified.

**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 2009/10 financial statement.**

#### **10.AU.52 ANNUAL STATEMENT OF ACCOUNTS FOR 2009/10**

The Committee received and considered a report of the Director of Transformation seeking approval of the Statement of Accounts for 2009/10, which set out and commented on the draft accounts for the financial year.

The Director and the Head of Shared Financial Services 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 underspend of £339,000 on the expected revenue outturn of £16.601m, which had assumed a £0.508m contribution from General Fund balances. The underspend had enabled the return to the General Fund of £0.062m after accounting for other factors, including the Icelandic impairment. The fact that concessionary travel costs had not exceeded the original budget, as envisaged, had contributed to the underspend and other contributory budget variations were identified in an appendix to the report.

The outturn on the 2009/10 Capital Programme of £5.668m represented an underspend of £852,000 on the revised estimate of £6.520m, the reasons for which were summarised on a separate appendix. The re-phased expenditure would be recommended for incorporation into the 2010/11 Capital Programme.

The Committee acknowledged the prudent and effective management of the Authority's budget in 2009/10, which had resulted in the underspend and increase in the level of General Fund balances. The Members did, however, accept that measures would need to be taken at a national level to address the underlying deficit in the pension fund and were cognisant of the need to maintain strict control over the authority's capital and revenue spending in the current austere financial climate.

**RESOLVED – That the report be noted and that the Council's Statement of Accounts for 2009/10, incorporating the Annual Governance Statement, as now presented, be approved for submission to the external auditors.**

#### **10.AU.53 INTERNAL AUDIT ANNUAL REPORT FOR 2009/10**

The Committee considered a report of the Head of Shared Assurance Services which summarised the work undertaken by the Internal Audit Section during the 2009/10 financial year, the first full year in which the shared financial services arrangement had operated.

An appendix to the report scheduled the Internal Audit work undertaken during the past year, showing individual opinions on the adequacy of controls for each area examined, with a commentary on the key control issues identified.

The report confirmed the opinion of the Internal Audit Section that the Council continued to operate within a sound control environment.

The Chair congratulated the Section on the success of its audit programme and the respective team members on their recent examination successes. The Committee also referred to the likely benefit of awareness sessions on the Council's Whistle Blowing policy being offered to Members.

**RESOLVED – That the Internal Audit Annual Report for 2009/10 be noted.**

#### **10.AU.54 CODE OF CORPORATE GOVERNANCE**

The Head of Shared Assurance Services submitted a report seeking approval of a revised local Code of Corporate Governance under which the Authority was required to operate.

The Council had, in March 2007, approved a Code of Corporate Governance to define how the authority aimed to implement the provisions of the CIPFA/SOLACE framework and to comply with the six identified core principles. The Code set out a checklist of control measures in respect of each core principle which the Council were expected to have in place. The Council was also required to prepare an annual governance statement to illustrate the extent to which the authority was complying with its Code.

The Code had been revised to take account of recent CIPFA guidance which set out five principles to define the role, core activities and behaviour of Chief Finance Officers in local government, and the organisational arrangements needed to support them.

**RESOLVED – That the revised Code of Corporate Governance, as now presented, be approved and adopted.**

#### **10.AU.55 COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

The Head of Shared Assurance Services presented a report on a request from the Audit Commission for 'those charged with governance' and 'management/Section 151 Officer' to provide the Commission with assurances on a number of issues as part of its audit of the Council's 2009/10 accounts. The assurances sought had been defined in letters to the Chair of the Audit Committee and the Director of Transformation via the Internal Audit Manager.

Having reviewed the specific information sought, the Internal Audit Section was satisfied that the Council's arrangements in place were sufficient to enable positive assurances to be given in response to the Audit Commission's request.

**RESOLVED – That the Chair of the Audit Committee and the Director of Transformation (the Council’s statutory Section 151 Chief Finance Officer) be authorised to sign assurance letters, as now presented, required by the Audit Commission.**

#### **10.AU.56 AUDIT OPINION PLAN FOR 2009/10**

The Audit Commission presented its external Audit Opinion Plan for 2009/10.

The Plan set out the approach that would be adopted by the Audit Commission in its audit of the Council’s financial statements for 2009/10. In particular, the report outlined the testing strategy and criteria that would be used by the Commission in its response to the specific opinion risks that had been identified in the following risk areas:

- Journal controls;
- Senior management restructure;
- Financial pressures;
- International financial reporting standards.

**RESOLVED – That the Audit Opinion Plan for 2009/10 be noted.**

#### **10.AU.57 ANNUAL AUDIT FEE FOR 2010/11**

The Audit Committee had been provided with a letter from the Audit Commission informing the Council that the Commission’s total indicative fee for the audit work planned for 2010/11 had been calculated as £104,280.

Fiona Blatcher (Engagement Lead with the Audit Commission) reminded the Committee of the Government’s recent announcements to abolish the Comprehensive Area Assessment regime for local authorities, which would accordingly impact on the level of work undertaken by the external auditors, particularly in relation to their assessment of authorities’ use of resources and value for money conclusion, which would not now be required.

Whilst the Audit Commission’s fees for its audit of the 2009/10 accounts were not expected to alter significantly to reflect the work already undertaken by the Commission, the Commission was currently consulting with authorities on the nature and level of the audit work that would need to be undertaken in relation to a new inspection regime. The new audit arrangements were expected to reduce the fees for 2010/11, with the precise details being reported to a future meeting.

**RESOLVED – That the letter and verbal report from the Audit Commission be noted.**

Chair