

# Audit Committee

**Thursday, 20 January 2011**

**Present:** Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors 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)), Chris Moister (Head of Governance), Tony Uren (Democratic and Member Services Officer) and Ruth Rimmington (Democratic and Member Services Officer)

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

## **11.AU.01 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillors Judith Boothman and Magda Cullens.

## **11.AU.02 DECLARATIONS OF ANY INTERESTS**

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

## **11.AU.03 MINUTES OF LAST MEETING**

The minutes of the last meeting of the Audit Committee held on 30 September 2010 were confirmed as a correct record for signature by the Chair.

## **11.AU.04 ANNUAL AUDIT LETTER, 2009/10**

The Chair welcomed Fiona Blatcher (Engagement Lead) and Tony Hough (Audit Manager) from the Audit Commission who presented the external auditors' Annual Audit Letter, which summarised the findings of the Audit Commission's audit of the Council's accounts for 2009/10 and its assessment of the Council's arrangements to secure value for money in its use of resources.

The Audit Commission had reported its preliminary findings to the last meeting of the Audit Committee on 30 September 2010 and the issues identified in the review were primarily only of a minor nature, including mainly classification issues.

The auditors had acknowledged the Council's maintained high performance in a difficult economic environment, continuing to deliver significant efficiencies whilst achieving an increase in customer satisfaction scores. The auditors were also aware of the Council's plans to address the implications of the spending review and reminded the authority of the need to continually review priorities, service standards and the methods of service delivery.

At the conclusion of the audit, the Audit Commission had issued an unqualified opinion on the Council's financial statements for 2009/10 and an unqualified value for money conclusion, being satisfied that the Council had adequate arrangements in place.

During the debate on the Audit Letter, the following two issues highlighted in the letter were raised by Members:

- The Audit Letter explained that, on the assumption that Chorley Council would be classed as a priority creditor, it was envisaged that the Council would ultimately recover up to 95% of its investment in the Icelandic Landsbanki (including accrued interest), recoverable in instalments up to 2018.
- The Council's participation in the National Fraud Initiative had helped to increase significantly the recovery of benefits claimed fraudulently.

**RESOLVED – That the Audit Letter for 2009/10, as presented by the Audit Commission, be noted and welcomed.**

#### **11.AU.05 AUDIT PLAN DOCUMENT FOR 2010/11**

The Committee received and considered a document from the Audit Commission which outlined the work the Commission proposed to undertake for the audit of the Council's 2010/11 financial statements and value for money conclusion, as based on the Commission's risk-based approach to audit planning.

The Commission's scrutiny of the Council's arrangements to secure economy, efficiency and effectiveness would take into account the Council's arrangements for:

- securing financial resilience by managing its financial risks;
- challenging priorities and resources and improving productivity and efficiency.

The Audit Commission's proposed scale fee of £103,700 for the 2010/11 audit had already been reduced by a rebate of £6,282. However, a recent consultation paper proposed a further reduction of 1.5% of the 2010/11 scale fees for District Councils. The consultation period ended on 7 January and final fees would be notified in February 2011.

Chorley Council would be required to prepare its financial statements for 2010/11 by 30 June 2011, following which the Audit Commission would be expected to complete its audit and issue the opinion and value for money conclusion by 30 September 2011.

**RESOLVED – That the audit plan for 2010/11 be noted.**

#### **11.AU.06 FUTURE EXTERNAL AUDIT ARRANGEMENTS**

Fiona Blatcher, updated the Committee on the situation regarding the announced abolition of the Audit Commission and its subsequent impact on the future external audits of the Council's accounts.

Fiona reported that the original timetable had been delayed and that it was unlikely that the Audit Commission would be abolished until December 2013 at the earliest.

The implementation of the new audit framework would require legislation and a Parliamentary Select Committee had been established to examine and make recommendations on future audit criteria and framework. The Audit Commission was due to give evidence to the Select Committee. Whilst the Council would ultimately be able to select its own external auditors, the procurement of a new audit service would, as yet, be unnecessary until the new framework and procedures had been agreed. In the interim, the Audit Commission would continue to work positively with Chorley Council on the audit of its accounts up to at least 2011/12.

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

#### **11.AU.07 TREASURY MANAGEMENT ACTIVITY, 2010/11**

The Committee received for information a report of the Director of Transformation on the Council's Treasury Management activity and performance up to 30 September 2010, which had been presented to the Executive Cabinet meeting on 11 November 2010.

The report confirmed that the Council continued to comply with the prudential indicators specified in the adopted Treasury and Investment Strategies and that investments continued to be made with only highly rated institutions.

The report also indicated that the Council, on average, had received a return of 0.66% on its surplus cash balances during the first half of 2010/11. Therefore, in order to achieve the maximum interest, the Executive Cabinet had agreed to recommend the Council to endorse an increase in the investment limits from £2m to £3m in some of the approved institutions within a general control framework.

A number of issues and queries were raised by the Committee Members, particularly in relation to the expediency of investing at low rates of interest; the need to balance spending and investment options; the weight to be given to Sector advice; and the circumstances under which increased capital spending would be warranted.

**RESOLVED – That the report be noted and the recommendations endorsed.**

#### **11.AU.08 INTERNAL AUDIT PLAN FOR 2010/11 - INTERIM REPORT FOR PERIOD UP TO 26 NOVEMBER 2010**

The Committee received and considered a report of the Head of Shared Assurance Services on the progress of the work undertaken in respect of the 2010/11 Annual Audit Plan up to 26 November 2010.

Appendices to the report provided both a general overview of the overall progress made in relation to the Internal Audit Plan, and a more detailed analysis of the projects undertaken to date, clarifying the measures recommended to address identified key control issues.

A separate appendix outlined the variations proposed to be made to the 2010/11 Internal Audit Plan and the underlying reasons for the revision. The audit work programme for the remainder of the financial year had taken account of changing priorities and other developments that had occurred since the approval of the original audit plan.

In response to an enquiry from a Committee Member, the Shared Financial Services Internal Audit Manager explained that, in the light of the recent restructure of the neighbourhood working regime, it was intended to transfer the resources allocated for the review of Neighbourhood Working to a review of fees and charges.

**RESOLVED – That the report and proposed revision of the Internal Audit Plan for the remainder of 2010/11 be approved.**

#### **11.AU.09 SHARED ASSURANCE SERVICE - IMPLICATIONS OF PROPOSED BUDGET FOR SERVICE IN 2011/12**

The Committee considered a report of the Head of Shared Assurance Services on proposals to reduce the Internal Audit and Risk Management inputs from 2011/12.

The planned reductions were recommended in the light of national policy changes and reduced audit input requirements from 2011/12 and would be achieved through increased efficiencies and more effective working practices. An appendix to the report

outlined the proposed audit plan time allocations for the next financial year. It was expected that the revisions would have minimal implications for staff, as currently vacant posts had not been filled and the present arrangements with Lancashire County Council would be terminated.

The proposals had been debated at the Shared Services Joint Committee in October 2010, which agreed to consult Chorley Council's Audit Committee and South Ribble Council's Governance Committee in view of the potential impact on each authority's corporate governance. If the proposals were acceptable to each Committee, a revised budget for Shared Assurance Services would be presented to the Joint Committee on 24 January, with a view to final budget plans being submitted for approval by both Councils Executive Cabinets.

In reply to the Chair's enquiry, the Officers assured the Committee that the proposals were not expected to impact adversely on the current internal audit and risk management standard of service, as national standards would still need to be maintained and there would be a stronger focus on financial management and monitoring.

**RESOVLED – That the plans to reduce the inputs to Internal Audit and Risk Management from 2011/12, as outlined in the submitted report, be endorsed and that the outline proposals form the basis of a revised budget for Shared Assurance Services to be considered at the next meeting of the Shared Services Joint Committee.**

Chair