

REPORT OF AUDIT COMMITTEE

GENERAL REPORT

1. This report summarises briefly the items considered and decisions taken by the Audit Committee at its meeting on 20 January 2011.

Annual Audit Letter, 2009/10

2. The Engagement Lead and Audit Manager from the Audit Commission attended the meeting to present the 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 authority's arrangements to secure value for money in its use of resources.
3. The only issues identified by the Audit Commission were primarily of a minor nature, involving mainly classification issues.
4. The auditors 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 are also aware of the Council's plans to address the implications of the spending review and have reminded the authority of the need to continually review priorities, service standards and the methods of service delivery.
5. The Audit Commission has, consequently, 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 has adequate arrangements in place.

Audit Plan for 2010/11

6. The Committee received and considered a document from the Audit Commission which outlined the work the Commission propose 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.
7. The Commission's scrutiny of the Council's arrangements be secure economy, efficiency and effectiveness will 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.
8. A rebate has already been allowed on the Audit Commission's original scale fees for its 2010/11 audit, but the Commission envisaged that a further reduction of 1.5% would be made at the conclusion of a consultation exercise.
9. Chorley Council will be required to prepare the financial statements for 2010/11 by 30 June 2011, following which the Audit Commission will expect to complete its audit and issue an opinion and value for money conclusion by 30 September 2011.

Future External Audit Arrangements

10. The Engagement Lead with the Audit Commission updated the Committee on the likely impact on future external audits of the Council's accounts of the Government's plans to abolish the Audit Commission.

11. We were told that the original timetable has been delayed and that it is unlikely that the Audit Commission will be abolished until December 2013 at the earliest.
12. The implementation of the new audit framework will require legislation and a Parliamentary Select Committee has been established to examine and make recommendations on future audit criteria and framework. Whilst the Council will ultimately be able to select its own external auditors, the procurement of a new audit service will, as yet, be unnecessary until the new framework and procedures have been agreed. In the interim, the Audit Commission will continue to work positively with Chorley Council on the audit of its accounts up to at least 2011/12.

Treasury Management Activity 2010/11

13. The Committee received for information a report of the Director of Transformation on the Councils Treasury Management activity and performance up to 30 September 2010 which had been presented to the Executive Cabinet meeting on 11 November 2010.
14. The report confirmed that the Council continues to comply with the prudential indicators specified in the adopted Treasury and Investment Strategies and that investments continue to be made with only highly rated institutions.
15. 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 has 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.

Internal Audit Plan for 2010/11 – Interim Report for period up to 26 November 2010

16. The Head of Shared Assurance Services presented the Committee with a report on the progress of the work undertaken in respect of the 2010/11 Annual Audit Plan up to 26 November 2010.
17. 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 required to address identified key control issues.
18. Since the original Audit Plan for 2010/11 was compiled, a number of the Council's priorities have changed. Taking this and other developments that have occurred over the past few months into account, the Committee authorised the recommended revision of the Internal Audit Plan for the remainder of 2010/11. One of the agreed changes will entail the transfer of the resources allocated for a planned review of neighbourhood working to a review of fees and charges, as a review of neighbourhood working could not be justified in the light of the recent restructure of the neighbourhood working regime.

Shared Assurance Service – Implications of Proposed Budget for Service in 2011/12

19. 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.
20. The planned reductions have been recommended in the light of national policy changes and reduced audit input requirements from 2011/12 and will be achieved through increased efficiencies and more effective working practices. It is expected that the revisions will have minimal implications for staff, as currently recent posts have not been filled and the present arrangements with Lancashire County Council will be terminated. Similarly, it is not envisaged that the reduced programme will impact adversely on the current standards of

internal audit and risk management service, as national standards will still apply and there will be a sharper focus on financial management and monitoring.

21. We accepted the Officers' arguments and endorsed the plans to reduce the Internal Audit and Risk Management programme from 2011/12 and the consequent proposals for a revised Shared Assurance Service budget to be considered by the Shared Services Joint Committee in advance of recommendations to both Chorley and South Ribble Councils.

Recommendation

22. The Council is recommended to note this report.

COUNCILLOR ANTHONY GEE
Chair of Audit Committee

There are no background papers to this report

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