

REPORT OF AUDIT COMMITTEE

1. This report summarises briefly the items that were considered and decisions taken by the Audit Committee at its meetings held on 19 January and 15 March 2012.

AUDIT COMMITTEE – 19 JANUARY 2012

Annual Audit Letter 2010/11

2. 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 2010/11 and its assessment of the Council's arrangements to secure value for money in its use of resources.
3. The Audit Commission had reported its preliminary findings to the last meeting of the Audit Committee on 29 September 2011 and only a small number of changes had been made, the majority of which had been disclosure notes.
4. The auditors acknowledged that the Council had a good track record in delivering significant savings whilst maintaining and improving services. They also recognised that a key challenge for the Council would be the continued identification and delivery of further significant financial savings whilst still meeting local needs, but felt that the Council's response to current financial climate, together with its track record, indicated that they were well placed to meet the key challenges to be faced in the coming years.
5. At the conclusion of the audit, the Audit Commission had issued an unqualified audit opinion on the Council's financial statements for 2010/11 and an unqualified value for money conclusion, being satisfied that the Council had adequate arrangements in place.

Certificate of claims and returns – Annual Report 2010/11

6. The Audit Commission submitted its annual report of the Certification of claims and returns for 2011/12, providing assurance that claims for grants and subsidies are made properly and that information provided in the financial returns is reliable. The report also summarised any outcomes.
7. It was reported that the Council had effective arrangements in place to prepare accurate claims and returns. Most claims had been prepared in accordance with the relevant terms and conditions, with the provision of good working papers and claims reconciled back to the Council's records.
8. Only one return had been subject to amendment and a qualification letter. This had occurred following actions taken by officers to resolve long standing integrity issues with the National Non Domestic Rates (NNDR) system. The issues were purely of a technical nature and did not impact on the overall security or robustness of the system.

Audit Plan 2011/12

9. 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 2011/12 financial statements and value for money conclusion, as based on the Commission's risk-based approach to audit planning.
10. Additional significant risks that were relevant to the audit of the accounting statements had also been taken into consideration and included:
 - Heritage Assets
 - Valuation of property, plant and equipment
 - IAS 19 Pension liability

Members asked if the schedule of works being undertaken to identify these risks could be provided for information.

11. 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.
12. The Audit Commission's proposed scale fee for 2011/12 audit was £99,066 for 2010/11.
13. Chorley Council would be required to prepare its financial statements for 2011/12 by 30 June 2012, following which the Audit Commission would be expected to complete its audit and issue the opinion and value for money conclusion by 30 September 2012.

Audit Committee Update

14. The Audit Commission submitted a report that provided the Committee with its progress in delivering their responsibilities as our external auditors, including an update in the externalisation of the Audit Practice.
15. The report also highlighted the key emerging national issues and developments that were felt may be of use to members that included:
 - Final Accounts Workshops 2011/12
 - Dealing with the economic turndown
 - Procurement Fraud in the Public Sector
 - Protecting the public Purse 2011
 - Police Reform and Social Responsibility Act 2011
 - Localism Act 2011
 - Openness and Accountability in Local Pay

16. In response to a question, members were informed that training and information would be given as and when needed on the changes that would occur within the Localism Act, particularly in relation to housing, planning and standards.
17. Members also sought assurance that the issue of subletting within registered social housing was being addressed and were advised that all the registered social landlords (RSL's) were now more aware of this problem and the Council continues to work with the RSL's to identify fraud.

Annual Governance Statement 2011 – Progress Report

18. The Head of Shared Assured Services submitted a report providing members of the Committee with an update on the progress that had been made on the implementation of several enhancements to the Council's system of governance as identified in the 2011 Annual Governance Statement that had been approved by the Committee in June 2011.
19. The corporate self assessment had identified several opportunities to enhance the Council's governance arrangements. These had since been incorporated into a detailed Action Plan and the Committee was updated with the progress made against each of the agreed improvements.
20. Members were advised of any actions to be taken against those improvements that were currently rated red to get them back on track, but all would be completed by the end of the current financial year.

Interim Internal Audit Report

21. The Committee received a report of the Head of Shared Assurance Services advising them of the work undertaken in respect of the Internal Audit Plans for the second four months of 2011/12.
22. Two appendices were attached to the report that provided information on the overall progress made in relation to the plans, indicating which audits had been completed, in progress or were yet to start, the time planned and actually spent on individual audits and information on Internal Audits performance against each of the identified tasks.
23. Members were informed of any significant management actions that were outstanding together with any underlying reasons, and advised of any general developments that involved or impacted on the work of the Internal Audit Service.
32. The service had secured 10 days paid work for some Internal Audit provision at St Catherine's Hospice, with a further 20 days proposed for 2012/13 and the Members of the Committee congratulated their efforts.

Consultation on interim auditor appointments 2012 – 13

33. Members of the Committee received an update from the Audit Commission on the appointment of a new auditor for 2012/13. New contracts would be awarded for either three or five years, commencing audit of accounts for 2012/13. A procurement exercise was yet to be completed before they could confirm the national picture, therefore they were not in a position to make any new auditor appointments before 1 September 2012.
34. As an auditor needed to be in place at the start of the financial year the Audit Commission were proposing to make an interim appointment to cover the period 1 April to 31 August 2012. For Chorley this meant extending the current auditors appointment, which both Members and Officers were happy to agree.

Draft Treasury Strategies and Prudential Indicators 2012 – 13 to 2014 – 15

35. The Statutory Finance Officer presented a report on the draft prudential indicators and treasury strategy for 2013/14. Regulations require that the Strategy be approved by full Council and it was intended to submit it the Council meeting being held on 28 February 2012.
36. The report outlined the Council's prudential indicators for 2012/13 to 2013/14, setting out the expected treasury operations for that period and stated the policy for making the minimum provision for repayment of debt.
37. The Treasury Management Strategy 2012/13 had been prepared in accordance with the revised Code and as a minimum, a mid year monitoring report and a final report on actual activity after the year end would be submitted to the Council. The Audit Committee would continue to receive additional update reports during the year as required.
37. The Committee were given information on each of the key areas and members discussed them in turn:
 - Borrowing and Investment Projections
 - Economic outlook and expected movement in interest rates
 - Borrowing Strategy
 - Icelandic Investment
 - Treasury Management Limits on Activity

AUDIT COMMITTEE – 15 MARCH 2012

Internal Audit Plan

38. The Committee received a report of the Head of Shared Services that summarised and explained the basis of the Internal Audit Plan for 2012/13 that had been compiled in consultation with Strategy Group and extensive consultation within each service.

39. The Internal Audit Plan contained the programme of reviews for the next financial year and had been constructed following a risk assessment which considered a range of risk factors, such as items in the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time that an area was last audited.

Anti Fraud Corruption Policies

40. The Head of Shared Assurance presented the Committee with two of the Councils anti fraud and corruption policies that had been recently revised and updated. The Anti-Fraud and Corruption Strategy explained the range of situations where fraud or corruption can arise and the Anti-Fraud Response Plan give an explanation about how and by whom suspected cases of fraud and corruption would be investigated.
41. The Audit Committee has responsibility for overseeing the Council's governance arrangements and had previously approved a Local Code of Corporate Governance which referred to policies and procedures for the prevention, detection and investigation of fraud and corruption, which include:
- Anti Fraud and Corruption Strategy
 - Codes of Conduct for Members and Officers
 - Whistle Blowing Procedure
 - Anti-Money Laundering Procedure
 - Guidance to staff on surveillance under the Investigatory Powers Act
 - Disciplinary Policy
 - Anti-Fraud Response Plan.
45. The documents had been revised to reflect the recent organisational changes in the Authority and there was now a need to re-enforce the provisions of the Bribery Act 2010 within the Council's policies.
46. To raise awareness of these documents and ethical standards generally, both officers and Members had recently been invited to participate in an on-line exercise on the Loop and intheknow.

Audit Committee Update 2011/12

47. The Audit Commission submitted an update report to Members on the Audit Committee. The purpose of the document was to provide the Committee with the progress in delivering their responsibilities as the Council's external auditors. It also included an update on the externalisation of the Audit Practice.
48. In addition the report sought to highlight the key emerging national issues and developments which may be of interest to the Members of the Audit Committee and concluded by asking a number of questions that the Committee may wish to consider in order to assess whether they had received sufficient assurance in emerging issues.

49. It was reported that the Interim audit work on the Councils Financial Statements and VFM conclusion had commenced in February 2012. The draft accounts would commence in July and they aimed to be complete and issue their opinion in September 2012.
50. The contracts had now been awarded to the providers for the externalisation of the Audit Practice and Members were informed that a five year contract had been awarded to Grant Thornton (UK) LLP to cover the four contract areas of the North West, West Midland, London (South) Surrey and Kent and South West, with the appointments starting on 1 September 2012.
51. Following the award of the contracts, the Commission intended to re-visit the audit fees for 2012/13 audits which had been consulted on in November 2011 and further information would be issued shortly.

Strategic Risk Update Report

52. The Chief Executive submitted a report providing Members with a Strategic Risk Register update, The Register included the twelve strategic risks to the Council, including the actions in progress as well as actions planned to further mitigate them.
53. The political, economic and financial environment in which the Council operates is constantly changing, therefore the Strategic Risk Register needs to be updated to reflect any new or emerging strategic risks facing the Council.
54. The management of risk is clearly embedded within the Council. Whilst the Strategic Risk Register set out the main strategic risks there are a number of other processes that contribute to effective risk management at all levels of the organisation.
55. The updated risk register included one new risk, delays in the implementation of new technology having a negative impact on the performance satisfaction and the ability of the organisation to drive change, and one risk from last year that had been split into two to separate, satisfaction with the Council from staff satisfaction.
56. One of the risks, regarding a lack of resources had been reduced from a high level risk to a lower level risk, as this year the council had resources to invest in growth terms. Members asked how this had been achieved considering the present economic climate and the Chief Executive explained that this had been down to a combination of maintaining prudent finances by the Council, finding further savings and the receipt of additional new homes bonus funding.

COUNCILLOR ANTHONY GEE
Chair of Audit Committee

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