

REPORT OF THE AUDIT COMMITTEE

GENERAL REPORT

1. This report gives a brief summary of the items discussed at the meetings of the Audit Committee held on 17 January and 19 March 2008.

17 January 2008

Use of Resources

2. The Audit Commission submitted a report on the Annual Use of Resources Assessment which evaluated how well council's manage and use their financial resources.
3. This was the third year that the assessment had been carried out and the assessment had been based on the key lines of enquiry for 2007. The period assessed had been brought into line with the 2006/07 financial year and focused on the importance of having sound and strategic financial management to ensure that resources were available to support the Council's priorities and improve services covering five main themes:
 - Financial reporting
 - Financial management
 - Financial standing
 - Internal control
 - Value for money
4. The Council had improved on its score on four of its Key Lines of Enquiry (KLOE's) obtaining maximum scores and had once again scored a 4 on its value for money. The Chair on behalf of the Committee had praised the Assistant Chief Executive (Business and Transformation) and his team in achieving these high scores.
5. The Chair sought assurance about the Council's commitment to Member training on Ethical Governance procedures and the Corporate Director (Governance) had outlined the present arrangements to the satisfaction of the Committee.

Best Value Performance Plan

6. The Audit Commission submitted a report on their audit of the Council's best value performance plan and concluded that they had formed 'a clear opinion' and had no reservations or recommendations.

Data Quality

7. The Audit Committee submitted a report that gave details of a Data Quality Review of the Council. The Audit Commission carried out a

three stage approach to the audit of performance indicators for 2006/07 that focused on the Authority's arrangements to ensure quality data comprising:

- Management arrangements
- Analytical review
- Date quality spot checks

8. An action plan had been agreed with the Council to address any issues that had arisen from the review.

Annual Governance Statement

9. The Assistant Chief Executive (Business Transformation) submitted a report to provide the Audit Commission with assurance that the necessary action had taken place to address the "significant governance issues" published in the Annual Governance Statement (AGS) that had been identified in the most recent self-assessment of the Council's corporate governance arrangements.
10. Assessments had also been carried out at Directorate level, producing Directorate Assurance Statements and any actions that needed to be addressed had been fed into the Business Improvement Plans of the Directorates concerned. These had been, or were nearing completion.

Anti-Fraud and Corruption Strategy

11. The Assistant Chief Executive (Business Transformation) had submitted a revised version of the Anti-Fraud and Corruption Strategy. The Council is continuing to develop a corporate framework that manages risk in order to minimise the incident of fraud, corruption and other adverse events within the Authority and looking at more proactive ways of identifying the risk of fraud.
12. The Anti-Fraud and Corruption Strategy established the Council's specific policies towards prevention, detection, notification and investigation of fraud and corruption and summarised the responsibilities of the Members, managers and officers.
13. The Corporate Director (Governance) commented that there had been more recent changes surroundings standards with reference to Members and asked that the Strategy be amended to reflect this and brought back to a further meeting of the Committee.

Interim Report on Internal Audit Activities as at 30 December 2007

14. The Assistant Chief Executive (Business Transformation) submitted an interim report of the work undertaken in respect of the Annual Internal Audit Plan during the third quarter of 2007/08 and provide details of other Internal Audit activities during the period.

15. The report highlighted a number of items of work that were being undertaken by the Internal Audit Service in a wide range of areas across the Authority that fell under the following headings:
- Corporate Governance
 - Anti-Fraud and Corruption
 - Review of financial systems
 - Review of key operations

The Assistant Chief Executive (Business Transformation) reported that the Audit Plan was firmly on course to be delivered.

19 March 2008

Framework for Partnership Working

16. The Assistant Chief Executive (Business Transformation) submitted a report to update Members on the Council's Framework for Partnership Working.
17. The Council had now identified and published details of all its partnership working arrangements and had formalised a reporting structure that would enable effective monitoring and performance reporting.
18. Since the implementation of the framework a number of additional issues had been identified and included sustainability, equality and diversity and data quality arrangements for these were now included in the framework.
19. Overall there had been a positive transition, which had substantially improved previous arrangements, however it was appreciated that it would take time to become fully embedded across the Council.

Annual Audit and Inspection Letter

20. The Audit Commission submitted a report of the Annual Audit and Inspection Letter. The report provided an overall summary of the Audit Commission's assessment of the Council. The letter included the latest assessment of the Council's performance under the CPA Framework, including the Direction of Travel and the auditor's assessment of how well the Authority managed its finances, through its Use of Resources scores.
21. The letter was one of the best that the Council had received and bodes well for the forthcoming Comprehensive Performance re-assessment. Key messages were reported under the following headings:
- Council Performance – Direction of Travel
 - Health Inequalities (HI)
 - Local Area Agreements (LAA)
 - Data Quality

- Accounts and value for money
 - Use of resources
22. Actions had been identified for the Council that mainly concerned continuing the good work in several of the above areas to make more improvements and further develop established partnerships.
 23. The Council had now dealt with the impact of Job Evaluation. The process had been finalised and the Authority had managed the risk really well. There was still the potential issue of any Equal Pay Claims but more would be known after the deadline in a couple of weeks.
 24. Looking ahead the Council were preparing to receive the new performance assessment framework, the Comprehensive Area Assessment (CAA) and it promised to be a tough year while the Authority adapted to the new working arrangements.
 25. Mr Thomas announced that he was stepping down as District Auditor after 5 years of working with the Authority and he wished Chorley all the best for the future. The Assistant Chief Executive (Business Transformation) on behalf of the Chair and the Committee thanked Mr Thomas for all his help and assistance and wished him well in his new role. The Council had been allocated a new District Auditor, Fiona Blanchett and the team were looking forward to working with her.

Code of Corporate Governance

26. The Assistant Chief Executive (Business Transformation) and the Corporate Director (Governance) submitted a joint report that sought Members approval for the Code of Corporate Governance.
27. Recently issued guidance by CIPFA and SOLACE had required the Council to develop and maintain a local Code of Corporate Governance and to prepare a Governance Statement on an annual basis to report publicly on the extent to which the Council complies with its own code.
28. The draft code had been originally presented to the Audit Committee for information and had now been finalised for Member's approval following a period of consultation, which had also allowed for a comparison of the code with other councils. Officers were now satisfied that the Code not only met the guidance but also represented best practice.

Anti-Fraud and Corruption Strategy

29. The Assistant Chief Executive submitted a report seeking the Committee's approval of the revised Anti-Fraud and Corruption Strategy (AFCS).

30. The AFCS had been updated to address recommendations made by the Audit Commission in the Use of Resources assessment and other developments. The Corporate Director (Governance) had also included some new legislative procedures into the Strategy for the understanding of Members.

Fraud and Corruption Risk Register

31. The Assistant Chief Executive (Business Transformation) submitted a report informing Members of the outcome of an important review that had been recently conducted by Internal Audit, to compile a corporate Fraud and Corruption Risk Register that identified and addressed specific fraud risks throughout the Council.
32. In their 2006 Use of Resources report the Audit Commission had recommended that the Council further develop proactive counter fraud and corruption work, determined by a formal risk assessment.
33. The Members were provided with an explanation of the processes involved in the compiling of the Register and the resulting Action Plan.
34. The exercise established that a well-developed anti-fraud culture is already embedded within the Council. Only 25 potential fraud risks were identified that were considered to be of medium or high exposure. Of these the issues were currently being discussed with all the Directors concerned and detailed actions had been agreed with them to further mitigate the risks identified.
35. Members sought assurances that the Council's transfer of data was sound in light of recent events reported in the press, The new ICT User Policy was due to be finalised and the imminent move to Thin Client hardware would help to significantly mitigate the risks associated with personal data.

Internal Audit Plan

36. The Assistant Chief Executive (Business Transformation) submitted a report reminding Members of the respective roles of managers, members and Internal Audit to maintain a sound system of governance and control within the Council and sought Members approval of the Annual Internal Audit Plan 2008/09.
37. The 2008/09 Annual Internal Audit Plan is structured into seven sections:
- Anti-Fraud and Corruption
 - Review of Key Business Systems
 - Review of Financial Systems
 - Review of Key Operations
 - Contingency

38. An Internal Audit resource of 670 days would be employed to cover 32 separate audit topics under the above headings. The Plan would be required to ensure that the Council had in place an adequate and effective audit of its systems of governance, risk management and internal control in accordance with best practice and professional standards.

Attendance at Audit Committee Meetings

39. The Assistant Chief Executive (Business Transformation) commented on the poor attendance to the meetings of the Audit Committee over the last Municipal year. It was acknowledged that the work of the Committee was now more specialised and Members needed to be committed to their role.

Recommendations

40. That the Council notes the report and the following resolutions of the Audit Committee:
- That the Annual Audit and Inspection Letter for 2006/07 be submitted to full Council for endorsement.
 - That the Code of Corporate Governance be submitted to full Council for approval.
 - That the Internal Audit Plan 2008/09 be approved and submitted to the Executive Cabinet for adoption.
 - That the Assistant Chief Executive ask the Leader of the Council to look at the membership of the Audit Committee for the 2008/09 municipal year.

COUNCILLOR A GEE
Chair of Audit Committee

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There are no background papers to this report.

