

AUDIT COMMITTEE
Thursday, 28th June 2007

PRESENT – *Councillor Browne (in the Chair); Councillors, A. Mahmood (Substitute for Councillor Harling), Hollern, Barry, Lee and Wright.*

ALSO PRESENT

Mike Tye	– Audit Manager, District Audit
Mike Thomas	– District Auditor
Paul Hughes	– RSM Robson Rhodes
Alan Cotton	– Strategic Director Resources
Denise Park	– Director for Financial Services
Brian Bailey	– Director of Programmes and Governance
Jim Barwise	– Head of Internal Audit, Insurance & Administration
Paul Cutner	– Head of Corporate Finance
Phil Jones	– Head of Service (Risk & Safety)
John Addison	– Scrutiny Officer

APOLOGIES – *Apologies were received from Councillor Harling.*

RESOLUTIONS

1 Minutes of the meetings held on 11th April 2007

The minutes of the meeting held on 11th April 2007 were agreed as a correct record subject to the following amendment;

That in relation to Minute number 34 recommendation 2 be changed to read;

“That the Internal Audit Plan for 2007/2008 be approved and a more detailed Plan be brought back to the Committee’s next meeting to be held on the 28th June 2007”.

2 Declarations of interest

There were no declarations of interest.

3 Internal Audit Opinion report

The Head of Internal Audit submitted a report on Internal Audit’s overall opinion of the effectiveness of the control environment in the financial year 2006/07 as part of the Council’s review of the system of internal control.

The areas that were reviewed included:

- Risk Management.
- Cash handling (e.g. basic handover controls).
- Procurement (especially where framework agreements might be used).
- Asset Management (The need for a clear Asset Management Policy).
- The Statement on Internal Control.

RESOLVED – That the following matters be noted:

1. In terms of the effectiveness of the internal control environment generally, the opinion is one of reduced assurance.
2. Through the work undertaken during the financial year (following the fundamental system testing strategy), Internal Audit's further opinion is that there were no material mis-statements in the Council's Accounts for the year 2006/07.
3. That Internal Audit has identified several areas of weakness and has, through its reporting to Directors, set in motion steps to strengthen the overall approach so that none is considered to be a major continuing weakness. (All are noted in the Statement of Internal Control.)

4 Statement Report of Accounts 2006/2007

The Strategic Director Resources gave a presentation on the draft Statement of Accounts for 2006/07 and submitted a report summarising the main features of the document.

The Statement of Accounts sets out the main features of the Council's financial performance for the year ending 31st March 2007 and provided information relative to the Council's financial position at that date.

The Accounts and Audit Regulations 2003 require that the draft Statement of Accounts is approved by 30th June 2007. This is then subject to audit by the Council's external auditor, RSM Robson Rhodes and published by 30th September 2007.

The Strategic Director Resources highlighted to Members some notable achievements for 2006/2007, these included Capital investment of £58 million, Local Enterprise Growth Initiative £23 Million and the sale of Blackburn Transport.

RESOLVED – That the draft Statement of Accounts for the financial year 2006/07 be approved.

5 Statement on Internal Control

A report from the Director of Financial Services was considered on the Council's obligation to review its system of internal control for the year 2006/2007.

Members were informed that as a 4-star authority, Blackburn with Darwen Borough Council recognised, that as it continued to develop its modernising agenda, that there would be unavoidable risks. It was noted that the Council was diligent in ensuring that such risks, of whatever type, are both recognised promptly and effectively managed from the beginning.

The Statement on Internal Control included a section on significant internal control issues, including action to be taken to improve effectiveness in the key areas of risk management, communications, ICT, project management and procurement

RESOLVED – That the Statement on Internal Control be approved and submitted to the Leader and the Chief Executive for signature in accordance with the Accounts and Audit Regulations 2003.

6 External Audit's Draft Plan for 2007/2008

The District Auditor provided Members with a copy of their draft plan for 2007/2008, setting out the audit and inspection work they proposed to undertake for this financial year.

Members were informed that the draft inspection plan had been developed by the Relationship Manager and the appointed auditor, setting out the audit and inspection work that the Council's External Auditor proposed to undertake for the 2007/08 financial year. It was noted that the draft plan was based on the Audit Commission's risk based approach to audit planning and the requirements of Comprehensive Performance Assessment.

Members were reminded that Robson Rhodes the Council's outgoing auditors had not yet completed their audit for 2006/07, but the incoming auditors planning process for 2007/08, including the risk assessment, would continue as the year progressed and the information and fees provided to Members through the inspection plan, would be kept under review and updated as necessary.

RESOLVED – That the report be noted.

7 Internal Audit Detailed Plan for 2007/2008

The Head of Internal Audit provided Members with a report to outline details of Internal Audit's planned work for the year 2007/2008.

Members were informed that Internal Audit's Strategy and the detailed plan defined the scope and reasoning behind the approach that had been adopted and the overall objectives. These are:

- To fulfil Internal Audit's own statutory obligations;
- To provide assurance, support and advice to Directors on matters under their control;
- To contribute, as part of the Resources Directorate, to the development of corporate standards;
- To report to the Committee on governance arrangements as part of its role in assessing the system of internal control.

The Head of Internal Audit informed the Committee that the Internal Audit Strategy recognises new influences and developments and their impact on both the Internal Audit Plan itself and the skills requirements on staff.

Members were reminded that the Strategy and the intended outcomes were approved in April by this Committee. It was noted that the Plan itself, as in previous years, was risk-based and that the methodology used by Internal Audit was now essentially risk-based auditing.

RESOLVED – That the following matters be noted:

- 1) That the detailed Plan is intended to fulfil the objectives of the Strategy approved in April 2007.
- 2) That the Plan also has the further objective of achieving the outcomes set out in the report approved in April 2007.
- 3) That the delivery of this Plan will depend on Internal Audit's ability to recruit to any larger, revised structure that Members might approve.

8 External Audit's Report on Governance

The Council's External Auditors, Robson Rhodes provided the Committee with a report on governance. It was noted that the report had been prepared to inform the Council of matters arising from the External

Auditors recent review of Internal Audit, set within the wider context of recent changes to the Council's governance framework.

The External Auditors informed the Committee that the Council had acknowledged that governance and internal control had not been priorities in the past, and had begun to elevate the status of the governance agenda and put improved management arrangements in place. It was noted that recent developments had included the appointment of a Director of Programmes and Governance and the introduction of the Management Accountabilities Framework.

Members were informed that the External Auditors work had highlighted significant concerns within the resources of and associated weaknesses within the internal audit function. It was noted that the External Auditors had concluded that internal audit failed to meet five of the eleven professional standards in the CIPFA Code of Practice for Internal Audit.

RESOLVED – That the report be noted.

9 Review of Internal Audit

Brian Bailey, Director of Programmes and Governance provided Members with a report that set out the need for a revised and larger structure for Internal Audit to meet the increasing demands placed on the Council to maintain sound governance arrangements.

Member where informed that Internal Audit had currently an establishment of 10 posts. Two of these posts had been frozen for sometime. It was report that in effect Internal Audit had managed to provide an adequate audit service to the Council for almost all 2006/07 and much of 2005/06 with 7.2 staff. It was noted that this was low when compared with other authorities similar to Blackburn with Darwen.

The Director informed Members that the current situation had given the Council an opportunity to review what Internal Audit resources were needed for the Authority with its very large development programme. It was noted that a new team was intended to comprise of 14 staff in three groups, each group having a portfolio of areas to audit.

It was reported that the new team was to be fully staffed by October 2007 and would in 2007/08 create available resources for the Internal Audit team of about 1,570 work-days.

RESOLVED – That the following matters be noted:

- 1) That the Committee is requested:

- To agree the need for a new structure for Internal Audit
 - To note that the structure is intended to ensure that Internal Audit is more fit for purpose in terms of both resources and standards of work and to ensure that it is better able to fulfil its responsibilities regarding the Council's governance arrangements.
- 2) That it be noted that regular reports on both the Team's development and its fulfilling its obligations to comply with the Code of Practice will be submitted for its consideration.
 - 3) That an update report be provided to the Committee's next meeting to be held in September 2007, on recruitment to the internal Audit team.

10 Grants Report

The Council's External Auditors, Robson Rhodes provided the Committee with a report on Grant claims and returns 2005/2006. It was noted that the purpose of the report was to highlight matters arising from the audit of claims and returns in 2005-2006 and to seek agreement on the recommendations listed in the Action Plan.

It was further noted that the Council received over 45 grants from Government Departments and other bodies in 2005-06, representing income in excess of £155 million.

Members were informed that the Council's arrangements for the timely and accurate submission of grant claims was good, although there was scope for improvement in a number of areas including the completion and accuracy of claims and supporting working papers.

RESOLVED – That the report be noted:

Signed
Chair of the meeting at which the Minutes were signed
Date