

**AUDIT COMMITTEE**  
**Wednesday, 19<sup>th</sup> September 2007**

**PRESENT** – *Councillor Browne (in the Chair); Councillors, Harling, Kay, Barry, Lee and Wright.*

**ALSO PRESENT**

Sarah Howard	– Grant Thornton
Paul Hughes	– Grant Thornton
Gavin Blackstone	– Grant Thornton
Denise Park	– Director for Financial Services
Brian Bailey	– Director of Programmes and Governance
Jim Barwise	– Head of Internal Audit & Investigations
Paul Cutner	– Head of Corporate Finance
Phil Jones	– Head of Service (Risk & Safety)
John Addison	– Scrutiny Officer

**APOLOGIES** – *Apologies were received from Councillor Hollern.*

**RESOLUTIONS**

**11 Minutes of the meetings held on 28<sup>th</sup> June 2007**

The minutes of the meeting held on 28<sup>th</sup> June 2007 were agreed as a correct record.

**12 Declarations of interest**

There were no declarations of interest.

**13 External Audit Report on the Accounts and Use of Resources 2006/07**

Members were reminded that at its meeting held on 18<sup>th</sup> June 2007 the Committee approved the draft Statement of Accounts for the financial year 2006/07.

The External Auditors, Grant Thornton (formerly RSM Robson Rhodes), submitted a report advising the Committee that, in accordance with Auditing Standard ISA260, the Council's External Auditors were required to report on all matters, apart from those matters deemed to be of a clearly trifling nature, that had arisen during the course of the audit of the 2006/07 accounts. Corporate Governance responsibilities required that Members of the Council received these comments and also determined the approach to be taken with regards to the matters raised prior to publication of the annual Statement of Accounts.

Grant Thornton submitted the report for the Committee's consideration noting that they were pleased to report that they expected to issue an unqualified audit opinion on the Council's accounts and an unqualified VFM conclusion, subject to completion of their usual audit finalising procedures. The report also set out an Action Plan and accounts adjustments agreed.

The Director of Financial Services also submitted a letter of representation to Grant Thornton in connection with their audit of the financial statements for the year ended 31<sup>st</sup> March 2007.

**RESOLVED –**

- 1) Confirm the adjustments to be made to the accounts as shown in Appendix D of the external audit report;
- 2) Note the action plan contained in Appendix C of the external audit report;
- 3) Approve the letter of representation from the Strategic Director Resources to the external auditors (Appendix 2).

**14 Internal Audit's Restructure**

The Head of Internal Audit provided the Committee with a report that set out the proposed new structure for Internal Audit, which would meet the external audit's recommendations about Internal Audit's resources, ability to promote and to provide greater assurance on sound corporate governance.

Members were reminded that the External Auditors' report highlighted continuing weaknesses in management controls and noted the size of the Internal Audit Team relative to other metropolitan and unitary authorities similar to that of Blackburn with Darwen Borough Council. It was noted that, when the Committee considered the External Auditors report, they accepted these comments and therefore the new structure had been established with a view to ensuring that Internal Audit would be fit for purpose to meet the challenges of the next few years.

The Head of Internal Audit informed Members that the new Internal Audit team would comprise of 14 members of staff in a new structure and would provide the possibility of career development.

It was report that, without this new structure, the risks that Internal Audit could not fulfil its statutory responsibilities and that the Council's own system of governance was less than acceptable must increase.

## **RESOLVED**

That the Committee note the proposed new structure of 14 posts for Internal Audit.

### **15 Management Accountabilities Framework - Results of the June Quarter's Reports**

The Director of Programmes & Governance provided Members with a report on the progress of Management Accountabilities Framework (MAF) after the completion of the first quarter's reports for the period ended 30<sup>th</sup> June 2007.

Members were informed that Heads of Service/Assistant Directors were required to produce MAF reports for the Director to review for each department at the end of each quarter. The Director would then produce a summary exceptions report to the appropriate Executive Director or to the Strategic Director Resources. These would next be examined through PAM challenges, before the outcomes are finally reviewed by the Chief Executive's Strategy Group.

## **RESOLVED**

That the Committee note the report and the intended improvements to the MAF process.

### **16 Follow-up - Outstanding Agreed Management**

The Head of Internal Audit provided the Committee with a report that outlined progress to date on the management actions agreed in both the SIC for 2006/07 and external audit's reports of the previous twelve months.

Members were informed that the purpose of the report was to bring more attention to Members on progress on agreed actions so that problem areas could be identified and that appropriate actions to correct problems could be defined.

## **RESOLVED**

That the Committee note the progress that is being made on the management actions agreed.

## **17 Risk Management - Report on Progress**

The Director of Programmes & Governance presented to Members an update on progress in improving and embedding the risk management processes and procedures across the Council and to outline next steps.

Members were reminded that improving and embedding the Council's risk management processes and procedures was a clear priority for the Resource Portfolio in 2007/8. It was noted that this was good practice, but its achievement was being driven by a series of specific external requirements, notably:

- The 2006/7 Statement of Internal Control,
- External auditor recommendations on good governance,
- District Audit's Plan for 2007/8,
- The findings of the recent IdEA Peer Review.

It was reported that the Programmes & Governance Department now had the remit to deliver change to improve risk management, with the new Head of Risk & Safety role providing a corporate lead. The corporate Risk Management Group (RMG), chaired by the Strategic Director Resources and including departmental risk champions, was meeting regularly and it had given a small group the task of leading on developing change.

The Director for Corporate Governance then outlined the following progress to Members:

- A revised Council Risk Management policy and strategy document has been prepared,
- Within the revised policy, risk registers have been reviewed and a new 2 tier approach to RM is proposed,
- The role of the RMG is strengthened.
- The Management Accountability Framework (MAF) has now been introduced and compels directors to evidence, at least quarterly, their monitoring of all risks.
- Revised risk register templates have been produced and are with risk champions for comment.
- The future use of Sharepoint as an ICT resource for managing risk registers is under discussion.
- Dialogue has been opened with the PCT to consider future joint working on RM – this is important given the requirements of the CAA.

### **RESOLVED**

That the Committee to note the progress that is being made.

**18 Urgent Business - Internal Audit – Progress against and Changes to the Plan for 2007/08**

The Chair informed the Committee that he had been informed that since the publication of the Agenda, an urgent item of business had come to light that need to be considered by the Committee and that on behalf of the Committee he had agreed to the inclusion of the item on a supplementary Agenda,

**RESOLVED**

That the Committee agreed to the consideration of the following item as an item of urgent business.

**19 Internal Audit – Progress against and Changes to the Plan for 2007/08**

The Head of Internal Audit provided Members with a report that identified progress against the Internal Audit plan for 2007/2008 and proposed changes to the plan.

The report outlined some of the main outcomes achieved to date that were not covered elsewhere on the Agenda, the outcomes achieved include:

- Roll-out of Management Accountabilities Framework (MAF),
- Local Area Agreement (LAA),
- Freedom of Information,
- Home Loss Payments,
- Governors' Services,
- Honoraria,
- Library Fraud,
- Synergy,
- Appointment of Consultants,
- Revision of the Constitution,
- Draft revised Code of Corporate Governance,
- Financial Management Standard in Schools,
- Best Value Performance Indicators (BVPs),

Members were then provided with the changes to the Internal Audit plan for 2007/2008, these included;

- Management Accountabilities Framework.
- Schools – the audit of schools will be less than originally intended as a result of further delays in recruitment.

It was noted that the other changes to the Internal Audit plan for 2007/2008 were intended to ensure coverage of core financial systems was protected.

It was further noted that due to the job evaluation process, recruitment for the vacant posts in Internal Audit was taking longer than previously anticipated. The work-days available for the year to Internal Audit had been revised downwards from 1,570 to 1,260 days.

At this point in the Meeting, the Director for Financial Services read out a statement on behalf of the Strategic Director for Resources, thanking the External Auditors for all there hard work and advice over the previous ten years, as this was there final attendance at the Audit Committee.

**RESOLVED**

That the Committee note:

- 1) Outcomes achieved in the first half of the year
- 2) Revisions to the Plan

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