

AUDIT COMMITTEE
Wednesday, 25th June 2008

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

ALSO PRESENT

Mike Tye	– Audit Manager, District Audit
Clive Portman	– District Auditor
Alan Cotton	– Strategic Director Resources
Denise Park	– Director of 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

RESOLUTIONS

1 Minutes of the meetings held on 21st April 2008

The minutes of the meeting held on the 21st April 2008 were agreed as a correct record.

2 Declarations of interest

There were no declarations of interest.

3 External Audit's work in 2007/08

The Council's District Auditors provided the Committee with a report on the undertaken work for the March Quarter 2007/2008. Members were informed that since this report had been deferred at the last meeting of the Committee, a June 2008 quarterly progress report had since been produced and would be presented to Members under Agenda item 11 (Minute No 11 refers).

RESOLVED:

That the report on External Audit's Work in 2007/2008 be noted.

4 Annual Audit & Inspection Letter 2006/07 and the Council's Response

The Committee received the Annual Audit & Inspection Letter for 2006/07, together with the Council's response to the recommendations in the letter.

The District Auditors outlined the key messages from the Annual Audit, these were:

- Despite challenges, the Council has continued to perform well overall. Effective and developing partnership working is a key driver in the Council's plans to regenerate the borough.
- Overall performance across services is good with all performance ratings for CPA service blocks being assessed as level 3, consistently above minimum standards.
- The Council has made a welcome investment in its management of resources and governance and programming arrangements to support corporate risks and major projects.
- Good progress has been made in children's' services. Health improvement and inequality remain as significant issues for the Council and its partners.
- The Council's approach to the Supporting People programme was assessed as 'good' with 'promising' prospects for improvement.

The report also detailed actions the Council should look to take in relation to the key messages:

- Work with health partners across the borough and the sub-region to ensure that a joint health needs assessment for the borough is developed.
- Continue to build on existing health partnerships to develop plans to address the levels of health inequality across the borough. Ensure that care services are supported by effective strategic commissioning arrangements.
- Finalise the Medium Term Financial Strategy.
- Review the arrangements for managing and improving value for money against a relatively high cost base. In particular, demonstrate more clearly value for money arrangements within the public private partnership with Capita.
- Ensure that the internal audit function is adequately resourced to support delivery of the audit plan.

Members then held a detailed discussion around the structure of internal Audit and risks and benefits to buying in external audits due to recruitment problems. Members were informed by the Auditors that the

hiring of external auditors due to recruitment issues was a good short term measure, but not good long term.

It was reported that the Council's use of resources audit had remained at level 3 overall, consistently above minimum standards. However, auditors had raised concerns about the Council's approach to demonstrating value for money, delays in finalising a medium term financial strategy and resourcing of the internal audit function. Although Officers advised Members that these points had been and were being addressed.

RESOLVED:

That the Annual Audit & Inspection Letter for 2006/07, together with the Council's response to the recommendations be noted.

5 Management Accountabilities Framework - Review of quarter 4

The Director for Programmes & Governance provided Members with a report on the progress of Management Accountabilities Framework (MAF) and the Annual Governance Statement

Members were informed that MAF had now been completed for 4 quarters. The main points reported from the fourth quarter's returns were:

- Concerns regarding the future development of IT;
- capacity due to job evaluation;
- Operational Plan Priorities in departmental returns have not always clearly identified major projects.
- There appear still to be gaps in the departmental challenge process.
- Capital monitoring and the reporting of slippage across departments had been identified as a concern.
- Business continuity planning remained in need of development.

Members were informed that, for 2008/2009, MAF would continue to develop and that it was important that the challenge to Departments and the follow-up of actions were consistently robust to all Departments.

Members were further provided with a report from the External Auditors on Governance and Programmes on how they consider the Council was progressing. The Director for Programmes & Governance welcomed the report a positive sign that the Council was committed to improving.

RESOLVED

That the Committee note the continuing progress of and the developments in the MAF process.

6 Internal Audit Opinion Report for 2007/08

The Head of Internal Audit submitted a report on Internal Audit's overall opinion in regards to 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.

Members were informed that, as reported throughout the year, the estimated resources available to Internal Audit were reduced from approximately 1570 to 925 work-days. It was reported that the scope of coverage was therefore unavoidably reduced. The focus of the reduced programme was on the major risk areas to the Council, on fundamental systems and on emerging issues such as Building Schools for the Future.

The areas that were reviewed included:

- Annual Governance Statement.
- MAF
- Partnership governance,
- Business Continuity Planning
- Capital Programme Monitoring.

The Head of Internal Audit reported that no significant "No assurance" opinions were issued and all reports from Internal Audit offered guidance on areas where risks and controls could be better applied. The overall assessment was that the control was currently stronger than in 2006/07 and that the need for continuous improvement had been generally recognised and accepted.

RESOLVED – That the following matters be noted:

1. That Internal Audit has identified various areas of weakness and has, through its reporting to Directors, set in motion steps to strengthen the overall approach, with those that are considered significant being set out in the Annual Governance Statement.
2. That the Internal Audit Opinion is that the control environment is stronger than in 2006/07 and that, overall, it is adequate.

7 Statement of Accounts for 2007/08

The Strategic Director Resources gave a presentation on the draft Statement of Accounts for 2007/08 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 2008 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 2008. This is then subject to audit by the Council's external auditor and published by the 17th September 2008.

Members discussed with Officers issues relating to the accounts for 2007/2008, arising from these questions members were informed that a detailed written response would be forwarded to the Committee.

RESOLVED – That the draft Statement of Accounts for the financial year 2007/08 be approved.

8 Annual Governance Statement for 2007/08

The Strategic Director Resources provided the Committee with the Annual Governance Statement (AGS) for 2007/2008. The report recognised that, in an authority such as Blackburn with Darwen Borough Council with such a large change agenda, there would very often be areas that need to be addressed if the system of internal control was to be fully effective.

Members were informed that the AGS, as presented to the Committee had also been evaluated at the Risk Management Group meeting 24th June 2008 and a number of revisions had been proposed subject to the agreement of the Audit Committee. The changes were as follows;

- That on page nine of the AGS, under Risk Management insert a final sentence "The most recent meeting of the Risk Management Group highlighted the number of corporate risks currently scored as unacceptable and required that this be included in the AGS as a significant issue."
- That on page 12 an additional row be added to the table as point number 6

6. Corporate Risks	<p>A significant number of the current 19 identified corporate risks remain at “unacceptable” despite actions designed to mitigate them.</p> <p>Risk owners will be required to carry out a further review of their risks, before the end of July 2008, to ensure that the levels are mitigated as fully as possible. This will be reviewed as part of quarter 1’s MAF reviews. RMG will review all corporate risks and challenge owners including establishing a clear protocol with timescales for reducing the numbers and level of unacceptable risks.</p>	<p><u>Strategic Director Resources/Director of Programmes & Governance By July 2008</u></p> <p><u>Strategic Director Resources / Director of Programmes & Governance By Sept 2008</u></p>
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It was reported that all the actions in the AGS had been allocated to a responsible officer and the Audit Committee would receive follow-up reports on progress during the year. Progress would also be monitored at departmental level through the Management Accountabilities Framework procedures.

RESOLVED

That the Annual Governance Statement be approved, subject to the inclusion of the two bullet points outlined above.

9 Internal Audit Progress against the Plan, Outcomes and Structure in 2008/09

The Head of Internal Audit submitted a report which updated the Committee on Internal Audits Progress against the Plan, Outcomes and Structure for 2008/09.

The Head of Internal Audit informed the Committee of the outcomes achieved in the first quarter, which included:

- Building Schools for the Future.
- Management Accountabilities Framework (MAF). 2007/08.
- Financial Management Standard in Schools.

- ICT transfer.
- Major projects.

It was reported that the revised structure for Internal Audit brought together, into Audit and Assurance, three sections: Internal Audit, BIU and Information Management. The new structure had gone through the re-modelling Stage 1 on Job Evaluation and it is currently going through the Stage 2 process with the intention of completing both staff consultation and the Redeployment Panel stage by 24th June.

RESOLVED:

That the Committee note the outcomes achieved by Internal Audit in the first quarter of 2008/2009 and the developments regarding the structure.

10 Outstanding Agreed Actions

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 2007/08.

Members were reminded 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.

It was agreed that to future meetings of the Audit Committee, that Members would only receive Red and Amber actions in the Agreed Management actions report.

RESOLVED

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

11 External Audit Annual Audit & Inspection Plan for 2008/09

The District Auditor provided Members with a copy of their Annual Audit & Inspection Plan for 2008/09, setting out the audit and inspection work they proposed to undertake for this financial year.

Members were informed that the plan was based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It was noted that the report reflects:

- Audit and inspection work specified by the Audit Commission for 2008/09;
- Current national risks relevant to Blackburn with Darwen circumstances; and
- Local risks and improvement priorities.

Some Members expressed concern that the inspection fee had risen this financial year by £105,000 and requested to know how this could be justified. Members were informed that the inspection fee was set by the Audit Commission and this fee was not above the norm.

RESOLVED

That the Committee note the Annual Audit & Inspection Plan for 2008/09.

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