

AUDIT COMMITTEE
Wednesday, 22nd April 2009

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

ALSO PRESENT

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| Mike Tye | – Audit Manager, District Audit |
| Clive Portman | – District Auditor |
| Denise Park | – Strategic Director Resources |
| Jim Barwise | – Head of Audit & Assurance |
| David Gavagan | – Head of Partnerships and Performance |
| Julie Jewson | – Finance Manager |
| John Addison | – Scrutiny Officer |

RESOLUTIONS

31 Minutes of the meetings held on 21st January 2009

The minutes of the meeting held on the 21st January 2009 were agreed as a correct record.

32 Declarations of interest

There were no declarations of interest.

33 Corporate Assessment - Feedback and Draft Improvement Plan

Members were provided with a report from the Director of Policy that outlined the outcome of the Council's Corporate Assessment, which was undertaken as part of the Comprehensive Performance Assessment framework. It highlighted the actions proposed in order to address the recommendations made in the Audit Commission's assessment report.

Members were informed that the official Corporate Assessment (CA) report from the Audit Commission was published in January, and was very positive. The report identified much strength in the Council's performance since the last inspection and that the Council was successful in maintaining its 4 star rating. The headline conclusion from the Audit Commission was that;

“Blackburn with Darwen Borough Council was performing strongly. Highly ambitious leadership, robust partnership working and a culture of

challenge and innovation has led to improvements in the quality of life for local people.”

It was further reported that, whilst the result of the CA very was positive, the assessment report did highlight three main recommendations where improvements could be made:

- Ensuring Neighbourhood boards operate consistently and transparently:
 - Clarify the process by which community groups and other stakeholders would be able to contribute to Neighbourhood Boards.
 - Establish clear and effective scrutiny arrangements for Neighbourhood Boards.
- Ensure that work to understand the needs of diverse communities and communities of interest is used to inform improvement planning and service delivery.
- Implement training and development plans for all councillors, linked to their different roles and responsibilities.

The Head of Partnerships and Performance reported to the Committee that an improvement plan had been drafted in order to ensure that the key recommendations were recognised and that improvements were managed and reviewed. It was noted that alongside the three recommendations for improvement, there were a number of minor comments made in the report that the Council would also wish to take action to improve. These had also been included within the improvement plan.

It was further reported that the implementation of the improvement plan would be monitored by the Corporate Development Group and update reports would be presented to the Audit Committee at future meetings.

Members then held a discussion with Officers around the use of scrutiny and successes scrutiny had within the Council, some Members expressed concern that Members on Scrutiny Committees were being spread too thinly and that the scope of Scrutiny Committees was too large to allow detailed work.

RESOLVED:

1. That Audit Committee note the Corporate Assessment report attached at Appendix A.
2. That Audit Committee note the agreed draft Corporate Assessment Improvement Plan attached at Appendix B, subject to the outstanding actions being agreed with relevant directors.

3. That Audit Committee agree to updates on the improvement plan implementation, being brought to future meetings.

34 External Audit's Progress Report

The Council's External Auditors provided the Committee with a report of the current position on their work as at April 2009. The report set out in detail work that had been undertaken and a timetable of work to be undertaken during the rest of the year.

RESOLVED:

That the report on External Audit's Work in 2008/2009 be noted.

35 Annual Audit and Inspection Letter and the Council's Response

The Committee received the Annual Audit & Inspection Letter for 2007/08, together with the Council's response to the recommendations in the letter.

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

- The Council was assessed as an 'excellent' council following the corporate inspection carried out under the comprehensive performance assessment and which was reported in January 2009.
- Services for children and young people, culture and social care are good and produce positive outcomes. Health outcomes for local communities overall were improving slowly, but significant health inequalities remain a major challenge for the council.
- The Council had helped to create jobs and raise skills to get people into work. Levels of crime continued to fall and most people felt safer. The Council was successfully delivering initiatives that supported cohesive communities.
- Street cleanliness had improved significantly and high performance continued in relation to parks, libraries and benefits.
- The Council continued to show continued improvement in a number of areas in its Use of Resources assessment, particularly around financial management and risk management. In most areas the Council performed consistently above the minimum requirements although Internal Audit still needed to be

brought fully up to strength to enable it to meet professional standards.

- The Council had robust arrangements in place to manage its data quality.
- The Management Accountabilities Framework (MAF) had already made a good impact on the Council's governance arrangements and was continuing to develop.

Members then held a detailed discussion around the structure of Internal Audit and risks and mechanisms the Council had in place to address the recommendations listed by the External Auditors.

RESOLVED:

1. That the Letter be acknowledge and published in accordance with the Accounts & Audit Regulations.
2. That the recommended actions in the letter and the CPA scorecard assessment of the Council: Overall - 4 stars and Direction of Travel – improving well be noted.
3. That the progress in implementing the recommendations will be considered in future reports to this Committee.

36 International Financial Reporting Standards

The Finance Manager provided Members with a report explaining the background information for the requirement to adopt International Financial Reporting Standards (IFRS) for Local Authority accounting statements from 2010/11 onwards, and to outline the timetable for transition and the planning process required to ensure the transition is carried out successfully.

Members were informed that, in recent years, the drive had been towards bringing local government accounts in line with private sector accounts, by minimising the departures from generally accepted accounting principles applicable within the UK (UK GAAP). As a result, the accounting statements for 2006/07 included substantial changes to the format and content of those produced by the Council in 2005/06 and earlier years.

It was reported that, under IFRS, accounting policy changes were retrospective; they were reflected in the opening balance sheet as if the Council had always accounted under IFRS. It was noted that this had an

effect on the Council's accounting treatment of various areas, primarily as follows:

- Employee benefits.
- Private Finance Initiative (PFI) accounting.
- Property leases.
- Property plant and equipment.

RESOLVED:

- 1) That the Committee note the requirement for the Council to produce fully IFRS compliant accounting statements for the financial year 2010/11.

37 Audit Commission Report –Treasury Management

Head of Audit & Assurance provided Members with a report informing the Committee of the Council's position regarding its investment of cash balances in the money market.

It was reported that the Council had no deposits with Icelandic Banks. The Council's investment list never included these Banks. This was because their ratings did not match the criteria for inclusion. If they had matched these criteria, their inclusion would have had to be authorised by the Treasury Management Group (TMG) before any dealings could have been arranged.

Members were informed that the Treasury Management function was overseen by the TMG, which was currently chaired by the Strategic Director Resources. Its other members include:

- Director of Legal Services
- Head of Corporate Finance
- Head of Audit and Assurance.

It was reported that the TMG approach essentially recognises that, whilst any investment carried a risk, the integrity of the principal sum was more important than the return from its investment. It was noted that this approach had matured, over the years, as lessons from others' "misfortunes" (e.g. the collapse of BCCI) have been incorporated into working practices.

The report also contained a series of recommendations for the Council to consider and Members agreed that a further report showing how the

Council would address these recommendations be sent to the Committee's June meeting.

RESOLVED:

- 1) That the Committee note the report.
- 2) That the Committee wish to consider a second report, in June, covering the recommendations set out in "Risk and Return".
- 3) That the Committee note that the Council had no involvement with Icelandic Banks.

38 Audit & Assurance Progress update in 2008/2009

The Head of Audit & Assurance submitted a report which updated the Committee on progress against the Internal Audit Plan 2008/09 in terms of outcomes achieved for the final quarter of the financial year.

Members were reminded that the number of department work days for the year was originally estimated at 1,385 work-days. The outturn for the year was just over 1,100 work-days. The main reasons for the difference against the most recent estimate was new staff starting later than anticipated and the co-sourced partner's arrival on site being later than had been expected.

The Head of Audit & Assurance informed the Committee of the outcomes achieved in the fourth quarter, which included:

- Information governance
- Counter Fraud.
- Governance in partnerships
- Management Accountabilities Framework.
- Fundamental Systems
- Computer Audit
- Review of the Constitution

RESOLVED:

That the Committee:

- 1) Note the outcomes achieved in the last quarter,
- 2) Note the general developments in Audit and Assurance.

39 Agreed Management actions – Monitoring Progress

The Head of Audit & Assurance submitted a report which updated the Committee on progress to date on management actions agreed in both

the SIC for 2008/2009 and External Audit's reports of the last twelve months.

Members were informed that the monitoring of these agreed actions by this Committee was important because it emphasised to Directors and Managers that their prompt and full implementation was key to having sound governance arrangements. It also raised the level of accountability since delayed implementation increases the risks to the system of internal control.

RESOLVED

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

40 Counter Fraud Strategy and Whistle-blowing Policy

The Strategic Director for Resources provided the Committee with a report that outlined to Members the steps taken in 2008/09 to tackle fraud and corruption within the Council and to set out further measures to be taken in 2009/10.

Members were reminded that the importance of the Council providing an effective response to the risk of fraud and corruption had already been considered by this Committee.

It was reported that the Counter Fraud Strategy was reviewed, revised and approved by Resources SPT on 22nd March 2009. This is a key document which sets out the Council's commitment to the prevention and detection of fraud and corruption. It was noted that the strategy would be communicated to all staff in due course. The Counter Fraud Strategy states that the Council would seek the strongest possible sanction against any individual or organisation that defrauds or seeks to defraud the Authority.

It was further reported that a Counter Fraud and Corruption Sanctions Policy was also approved by Resources SPT at the meeting held on the 22nd March 2009. It was noted that the objectives of the policy were to ensure that the council applied a full range of sanctions in a just and consistent manner and that sanctions were applied in an effective and cost efficient manner.

Members held a detailed discussion with the Officers around the nature of fraud that the Council could be at risk of and how the documents would evolve in the future.

RESOLVED

That the Committee note the report.

41 Management Accountability Framework (MAF) – Quarter 3

The Head of Audit & Assurance provided Members with a report on the progress of Management Accountabilities Framework (MAF) at the end of quarter 3.

The report provided the Committee with common themes identified by MAF improvements that had been enabled through the previous 3 quarters

Members were informed that MAF was a key component of the whole assurance process. It ensured that, throughout the year, the links from the Council's corporate and strategic objectives to operational plans to personal plans were set out and that each department monitored and reported on its progress against these targets, its management of risk and outcomes achieved quarterly.

RESOLVED

That the outcomes and actions, following the MAF Challenges after the end of quarter 3 and reported to Departments, be noted.

42 Audit & Assurance Strategy and Plan 2009/2010

The Head of Audit & Assurance provided Members with a report informing the Committee of the planned Audit and Assurance work for the new financial year and of the strategy on which it was based.

Together, the Strategy and the Plan defined the scope and reasoning behind the approach being adopted by Internal Audit. Overall, the objectives are:

- To fulfil Audit & Assurance's own statutory obligations;
- To set out the Audit Universe from which the Annual Plan's coverage is drafted;
- To provide assurance, support and advice to Directors on matters under their control;
- To support the Section 151 Officer's statutory obligations;
- To report to the Committee on governance arrangements as part of its role in assessing the system of internal control;
- To report compliance with the CIPFA Code of Internal Audit Practice

- To contribute, as part of the Resources Directorate, to the development of corporate standards.

It was reported that the Strategy included new influences and developments and their impact on both the Plan itself and the skills requirements on staff. It covered the major emerging issues on the Council's agenda and the need therefore to contribute to them, as part of the assurance process, at the early stages. This was part of the continuing development of governance generally within the organisation.

RESOLVED

That the Committee;

- 1) Approve the Strategy.
- 2) Approve the 2009/10 Plan.
- 3) Note that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting.
- 4) Note that Plan changes will be reported during the year.

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