

**AUDIT COMMITTEE**  
**Tuesday, 29<sup>th</sup> June 2010**

**PRESENT** – *Councillor Barry (in the Chair); Councillors Kay, Harling, Hirst, C.Rigby and Wright.*

**ALSO PRESENT**

Mike Tye	– Audit Manager, District Audit
Clive Portman	– District Auditor
Gladys Rhodes	– Strategic Director for Children’s Services
Liz Hall	– Director for Financial Services
Janet Hill	– Acting Head of Audit & Assurance
Paul Hankinson	– Audit & Assurance Manager
David Fairclough	– Director of HR
Phil Jones	– Head of Risk and Safety
Colin Ferguson	– Audit and Assurance Manager
John Addison	– Scrutiny Officer

**RESOLUTIONS**

**1 Minutes of the meetings held on 22<sup>nd</sup> April 2009**

The minutes of the meeting held on 22<sup>nd</sup> April 2010 were agreed as a correct record.

**2 Declarations of interest**

There were no declarations of interest.

**3 External Audit's Quarterly Progress Report**

The Council's External Auditors provided the Committee with a report on the current position of their work as of June 2010. The report set out in detail the remaining work that had been undertaken and a work timetable for the rest of the year.

**RESOLVED:**

That the report on External Audit’s progress report be noted

**4 External Audit's Fees for 2010/2011**

The Council's External Auditors provided the Committee with a report on the audit work that they proposed to undertake for the 2010/11 financial year at Blackburn with Darwen Borough Council. The fee was based on

the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commission for 2010/11.

**RESOLVED:**

That the Audit fees for 2010/2011 be noted.

**5 External Audit's Review of Internal Audit**

External Audit presented to Members a report that summarised the findings from its follow up assessment of the Council's Internal Audit section. It was further reported that the Audit Commission's Code of Audit Practice required them to review and report on: the Council's financial statements and its statement of internal control; and whether the Council had made proper arrangements for securing economy, efficiency and effectiveness.

Members were informed that External Audit's assessment was that Internal Audit had now achieved the 11 CIPFA Standards and that the performance of Internal Audit was now of a standard appropriate to allow them to place reliance upon their work for the purposes of their audit, where appropriate. External Audit now considered Internal Audit to be an effective part of the Council arrangements for ensuring, economy, efficiency and effectiveness.

**RESOLVED:**

That External Audit's Review of Internal Audit be noted.

**6 Management Accountabilities Framework - Quarter 4 2009/10**

The Acting Head of Audit & Assurance provided Members with a report on the review of Management Accountabilities Framework (MAF) for the last quarter of 2009/10.

Members were informed that quarter 4 of MAF had been reported to the Chief Executives Strategy Group the previous month and that the main points were highlighted to the Committee.

It was noted that the results of the quarter 4 MAF exercise contributed to the completion of the Council's annual governance statement (AGS). The main areas of concern that had a governance element had been included in the AGS, namely:

- Procurement of construction projects (Procurement)
- Winter maintenance costs (Highways Maintenance Budget)
- BT & IT (IT Governance)

## **RESOLVED**

That the Committee note the continuing progress of MAF and note the actions for departments.

### **7 Internal Audit Opinion Report for 2009/10**

The Acting Head of Audit & Assurance submitted a report on her overall opinion on the effectiveness of the control environment in the financial year 2009/10.

Members were informed that, Audit & Assurance's audit resources, including housing benefits investigations were planned to total 3063 work-days in 2009/10. The actual total including resources bought in from partners, were 2962. It was noted that the reduction was reported throughout the year and was a consequence of recruitment difficulties and the long term absence due to sickness of two staff members.

It was reported that the overall opinion, taken from Audit & Assurance's work in 2009/10, was the Council's control environment was adequate in its effectiveness.

**RESOLVED** – That the following matters be noted:

- 1) In presenting this opinion, the Head of Audit & Assurance has followed the Code of Practice for Internal Audit
- 2) This report forms part of the sources of assurance for the Annual Governance Statement (AGS)
- 3) The Head of Audit & Assurance's opinion on the overall adequacy of the Council's control environment is reasonable assurance.
- 4) Qualifications to this opinion are set out in Appendix A but the most significant, which appear in the AGS's Action Plan, are:
  - Highways Maintenance Costs;
  - Contract management; and
  - IT Governance.

### **8 Statement of Accounts for 2009/10**

The Director of Finance submitted the draft Statement of Accounts for 2009/10 to the Committee and a report summarising the main features of the document.

The Statement of Accounts set out the main features of the Council's financial performance for the year ending 31<sup>st</sup> March 2010 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 30<sup>th</sup> June 2009. This is then subject to audit by the Council's External Auditor and published by the 30<sup>th</sup> September 2010.

**RESOLVED** – That the draft Statement of Accounts for the financial year 2009/10 be approved.

## **9 Annual Governance Statement for 2009/10**

The Director of Finance provided the Committee with the Annual Governance Statement (AGS) for 2009/10. The report recognised that, there would always be risks that it must manage effectively and that whilst due diligence would not always ensure that it gets things right first time, it continued to put in place assurance frameworks that were intended to ensure that its system of governance are fit for purpose and have the flexibility to meet the challenges that the Change Agenda brings.

It was reported that the Resources Directorate had continued to promote the Council's strategic approach to governance and assurance. The developments in governance, continuing from those in 2008/09, included:

- Further development of Management Accountabilities Framework most notably the identification, prioritisation and reporting of key risks faced by portfolios.
- Modernisation of Internal Audit, leading to its compliance with the Code of Practice for Internal Audit in Local Government in the UK.
- A review and refresh of the Whistle Blowing policy.
- Promotion of a culture of zero tolerance towards fraud via the roll out of an e-learning fraud awareness package for all staff and the provision of awareness training to registered social landlords.
- New more robust arrangements for the operation and governance of the Council's Treasury Management activities, ensuring its compliance with new statutory requirements and best practice.
- Establishment of formal governance and management arrangements for the Building Schools for the Future Programme and for Care Trust Plus.
- Strengthening of information security awareness through training for staff and publication of guidance via the intranet.

- Ongoing work to implement the information governance strategy and related policies and procedures.
- Improvements to Human Resources systems and processes.
- Further development of the Medium Term Financial Plan to reflect probable reductions in resources in future years.

## **RESOLVED**

That the Annual Governance Statement be approved.

### **10 Treasury Management Quarterly Report – March 2010 to May 2010**

The Director of Finance presented to the Committee a report on the Treasury Management Quarterly report covering the period March 2010 to May 2010.

Members were reminded that the Council formally adopted CIPFA's revised Code of Practice on Treasury Management in the Public Services when they approved the 2010/11 Treasury Management Strategy at Finance Council on the 1<sup>st</sup> of March 2010. The CIPFA Code, Investment Guidance issued by the Department for Communities and Local Government (CLG) and the 2009 Audit & Assurance review of Treasury Management activities, all Members recommend an enhanced role for elected Members in scrutinising the Treasury Management function of the Council.

It was noted that this report was the second quarterly overview of Treasury Management activities provided to the Audit Committee. This report summarised the interest rate environment from March to May 2010, borrowing and lending transactions undertaken and the Council's overall debt position. It also reported on the position against the Prudential Indicators established by the Council.

## **RESOLVED**

That the Committee to note the Treasury Management position over the quarter from March 2010 to May 2010.

### **11 Audit & Assurance - Progress and Outcomes to 31<sup>st</sup> May 2010**

The Acting Head of Audit & Assurance provided Members with a report on work that had been achieved by Audit & Assurance in the period from 1 April 2010 to 31 May 2010.

The report provided Members with a detailed outline of outcomes achieved in the year so far including, counter fraud, corruption, whistle blowing policy, information governance, MAF and corporate and departmental systems.

## **RESOLVED**

That the Committee to note the outcomes achieved to 31 May 2010 against the Audit & Audit Plan, which was approved by Committee on 21 April 2010.

### **12 Data Protection Breaches- Update**

The Acting Head of Audit & Assurance provided the Committee with an update report regarding the progress to date in implementing the recommendations contained in the report and action plan relating to the data protection breach at Jubilee House in June 2009.

Members were reminded of the details of the break-ins, at Jubilee House in June 2009 and The Exchange in October 2009, that had previously been reported to Members of the Audit Committee.

Members considered the action plan from the Jubilee House report, which had been updated to show the progress in implementing the recommendations up to 28 May 2010.

## **RESOLVED**

That the Committee note the agreed actions and progress today.

### **13 Counter Fraud Strategy**

The Acting Head of Audit & Assurance provided the Committee a report that outlined the Council's strategy for countering fraud and corruption.

It was reported that the Counter Fraud Strategy had been reviewed, revised and would be presented to the Executive Member for Resources for approval. It was noted that the Counter Fraud Strategy was a key document which set out the Council's commitment to the prevention and detection of fraud and corruption.

It was further reported that when approved the Counter Fraud Strategy would be subject to consultation with trade unions and communicated to all staff using the intranet and Teamtalk media. 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.

## **RESOLVED**

That the Committee endorse the Council's Counter Fraud Strategy.

#### **14 BT and IT Department – Update**

The Acting Head of Audit & Assurance presented Members with an update regarding the progress made in implementing the recommendations contained in the original report and action plan on the BT & IT Department reported to the committee at its meeting held on 21<sup>st</sup> April 2010.

Members were reminded that the Audit & Assurance review of the BT & IT Department followed a concern raised under the Council's Whistle Blowing policy in October 2009. The review considered:

- The procurement of the specialist contractor for the fit-out of the new Data Centre
- Compliance with the requirements of the GovConnect Code of Connection standards
- Value for money and compliance with procurement processes and the use of contractors and agency staff.

It was noted that the recommendations arising from the review were contained within the Management Action Plan which was attached to the report presented to the Committee on the 21<sup>st</sup> April 2010. The Management Action Plan had been updated to show progress in implementing the recommendations up to 10 June 2010.

Members were informed that the Audit & Assurance team had considered the responses of management and the evidence supplied as part of the follow-up exercise. The team assessed each recommendation as either fully implemented, partially implemented, not implemented or not due for implementation by the due dates. The Committee then considered the key points to note since the last Audit Committee.

#### **RESOLVED**

That that the Committee note the progress made in the implementation of the recommendations made in the report.

#### **15 Higher Croft Follow-up Report**

At this point in the meeting Members were advised that the meeting had to move to Part 2 as the report from the Acting Head of Audit & Assurance was not for publication by virtue of paragraphs 1 and 4 of Part 1 of schedule 12a of the Local Government (access to information) (variation) order 2006.

**RESOLVED** – That the press and public be excluded from the meeting for the following item of business by virtue of Part 1 of schedule 12A local government act 1972

Members considered and discussed the report on Higher Croft with the Executive Member for Children’s Services following which it was-

**RESOLVED** –

- 1) That the meeting move back to Part 1.
- 2) That the Committee note the report and its recommendations.
- 3) That the Committee receive a follow up report in due course and Executive Member for Children’s Services and relevant officers be invited to the relevant meeting.

**16 Highways Maintenance Costs**

At this point in the meeting Members were advised that the meeting had to move to Part 2 as the report from the Acting Head of Audit & Assurance was not for publication by virtue of paragraphs 1 and 4 of Part 1 of schedule 12a of the Local Government (access to information) (variation) order 2006.

**RESOLVED** – That the press and public be excluded from the meeting for the following item of business by virtue of Part 1 of schedule 12A local government act 1972

Members considered and discussed the report on Highways Maintenance Costs following which it was-

**RESOLVED** –

- 4) That the meeting move back to Part 1.
- 5) That the Committee note the report and its recommendations.

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