
AUDIT COMMITTEE

MEETING ,15TH MARCH ,2007

Present – Councillors J. Walsh (Chairman), Ayub, Connell, Hamilton and Hayes.

Also in attendance

Mrs. S. Curran

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Deputy Director of Corporate Resources

Mr. J. Midlane

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Head of Internal Audit and Service Development

Mr. A. Mee

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KPMG

Ms . J Burrows

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KPMG

Mr. A. Jennings

-

Democratic Services Manager

Councillor J Walsh in the Chair

APOLOGIES FOR ABSENCE

Apologies for absence were submitted by Councillor A . Walsh.

24 MINUTES

The minutes of the proceedings of the meeting held on 6th December, 2006 were submitted and signed as a correct record ,subject to a correction to minute 22 External Audit- Audit Memorandum (b) to indicate that KPMG confirmed that there were no material uncorrected misstatements.

25 CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT

IN LOCAL GOVERNMENT IN THE UNITED KINGDOM 2006

The Head of Internal Audit and Service Development submitted a report that informed the Committee of the publication of the new Code of Practice for Internal Audit in local government and provided an initial self assessment against it .

The new Code reflected the changing role of the internal audit function and presented 11 standards that had to be met ; viz

- Scope of internal audit ;
- Independence ;
- Ethics for internal auditors ;
- Audit committee ;
- Relationships ;
- Staffing ,training and continuous professional development ;
- Audit strategy and planning ;
- Undertaking audit work ;
- Due professional care ;
- Reporting ;and
- Performance ,quality and effectiveness

The appendix to the report was a self assessment checklist to test compliance with the Code and showed high compliance whilst identifying the following gaps ; viz

- Clarification needed around terms of reference of the service;
- Develop relationships with the internal auditors of other partner organisations ;
- Seek to establish channels of communication with

other regulatory and inspection agencies ;

- Some minor amendments to the information included in the annual audit plan ; and
- Formalisation of the external quality assurance arrangements .

A timetable for addressing the above was attached at Appendix B and suitable actions included in the Internal Audit Service Improvement Action Plan 2007/08 ; progress would be reported to future meetings of the Committee .

It was explained that the new Audit and Accounting Regulations included an external review of internal audit to be undertaken every year which would probably be undertaken by KPMG or another external organisation . As the regulations had been released part way through the year the self assessment checklist had been used as an independent review ,following discussion at a Greater Manchester level . KPMG indicated that they were satisfied with this process and that the revised CIPFA Code released in 2008 would establish clear relationships as to assessment of internal audit .

Resolved – That the new Code and self assessment checklist be noted and that the response and timetable for implementation be approved and that the Committee be informed of progress on the Improvement Action Plan at the earliest possible meeting .

26 INTERNAL AUDIT TERMS OF REFERENCE

Councillor J. Walsh declared a personal interest in the following item being a member of the Bolton at Home Board .

The Head of Internal Audit and Service Development submitted the revised Terms of Reference for the Internal Audit Section.

The internal audit function operated under the CIPFA Code of Practice for Internal Audit in the UK 2006 and the code required that the Section had terms of reference that were reviewed on a regular basis.

The revised Terms of Reference for the Internal Audit Section were attached as an appendix to the report and the main changes were detailed below:

- Extended internal audit remit to the entire control environment ;
- Clarified internal audit's role in fraud ;
- Clarified internal audit's role in the assurance system ;
- Explained how internal audit resources were assessed ;and
- Updated references/titles.

Resolved – That the new Terms of Reference for Internal Audit be approved .

27 STATEMENT ON INTERNAL CONTROL

The Head of Internal Audit and Service Development submitted a report that reminded the Committee of the need to produce a Statement on Internal Control (SIC) and the process for doing so .

Members were reminded that one of the requirements of the Accounts and Audit Regulations 2003 was the preparation of an annual Statement on Internal Control (SIC). The Statement should be attached to the annual financial statement and needed to be signed by the Chief Executive and the Leader of the Council.

In order to produce the Statement authorities needed to undertake an annual review of the effectiveness of the system of internal control and publish the results in the SIC.

The production of the SIC had followed guidance issued by CIPFA and the guidance listed six areas where assurance on internal controls needed to be gathered:

- Performance Management
- Internal Audit
- external audit
- managers
- Risk Management
- Other

The process adopted in Bolton was outlined in Appendix A to the report.

There were two strands to the Bolton approach; an assessment carried out corporately to look at the systems and processes that were in place across the Council, and an individual assessment by each department.

The results from the two sources were considered by the SIC Management Group which drafted the annual statement, produced improvement plans for any gaps, and monitored the improvement plans during the year.

The draft SIC would be considered by the Audit Committee in June and submitted to the Constitutional Panel for approval in late June ,2007.

The process outlined above had been subject to continuing review as knowledge of the subject was expanded and good practice was shared.

The proposed timetable for the production of the 2006/07 SIC was attached at Appendix C to the report.

Resolved – That the process for the production of the annual Statement on Internal Control (SIC) be endorsed and that the timetable for the production of the 2006/07 SIC be approved .

28 EXTERNAL AUDIT RECOMMENDATIONS

The Director of Corporate Resources submitted a report which presented the recommendations made by the Council's external auditors , together with the Council's responses.

Members were reminded that the Committee received the annual plan from KPMG (the external auditors) as well as regular monitors on progress and reports on individual issues as the work was concluded . The Committee also received the Council's response .

The following reports had been received from KPMG in relation to the 2005/06 programme ; viz

- Annual External Audit Report 2005/06 ;
- Review of the Medium Term Financial Strategy ;
- Review of the Best Value Performance Plan 2005/06;
- CPA Use of Resources Assessment ; and
- Review of Internal Audit

The detailed recommendations from each of the above and the Council's response were detailed in the appendix to the report which included detailed action plans and timetables . The Director indicated that the majority of the recommendations had been dealt with and that those that were outstanding were well on the way for completion by 31st March ,2007 .

It was explained that this was the first in a series of reports to keep the Committee updated as to the Council's response to any recommendations from KPMG and that the reporting process would be the subject of refinement following discussions between internal audit ,KPMG and Director of Corporate Resources .

Resolved – (i) That the recommendations from KPMG and the Council's responses be noted and that regular reports be submitted to monitor the implementation of such recommendations.

(ii) That the Director report on the external audit

recommendations set to be completed by 31st March ,2007 to the next meeting .

(iii) That the Director submit a brief note to the next meeting as to the future reporting mechanism on progress made with external audit recommendations as agreed by internal audit ,KPMG and the Director of Corporate Resources .

(iv) That the Director report to the next meeting on those assets that have not yet been revalued with an indication as to the service areas responsible for such assets .

29 AUDIT COMMITTEE ANNUAL REPORT 2006/07

The Head of Internal Audit and Service Development reminded members that good practice recommended that the Committee should produce a report each year on its performance including how it had met its Term of Reference.

Details of the work done by the Committee at its six meetings could be summarised under the main roles of the Committee as follows ;

Audit & Risk:

Internal Audit:

- Consideration of the annual plans for 2005/06 and 2006/07 along with monitoring reports on progress.
- Review of the Annual Report of the Head of Internal Audit and Service Development.
- Review of Internal Audit against Code of Practice, including update reports.
- Results of national benchmarking.

External Audit:

- Audit Commission Code of Audit Practice
- Annual Inspection Plan 2005/06 and 2006/07,

along with monitoring reports.

- External Audit reports on annual accounts.
- External Audit review of Medium Term Financial Strategy.

□□ Risk:

- Bolton's risk management process
Review of corporate risks
Audit Committee involvement in corporate risks

Regulatory Framework:

- Use of Resources
- Statement on Internal Control – process and 2005/06 statement
- Review of Standing Orders
- Anti-fraud and Corruption Strategy
- Review of Financial Regulations
- Housing Benefits Inspection Team.

Accounts:

- Annual Statement of Accounts
- Statement on Internal Control
- Review of Medium Term Financial Strategy.

It was explained that , based upon the work undertaken by the Committee and the evidence seen , the Committee should consider making an assurance statement to the Council regarding the adequacy of risk management and the systems of governance .

Members requested the Director to establish the reporting process to Council .

Resolved – That the work undertaken by the Committee be noted and that the Council be notified that the Audit Committee confirms that the system of risk management in the Authority is adequate in identifying risks and allowing the Authority to understand the appropriate management of those risks and confirms that there are no areas of significant duplication or omission in the systems of governance in the Authority that have come to the Committee's attention and have not been adequately resolved.

30 REVIEW OF THE MEDIUM TERM FINANCIAL STRATEGY - ACTION PLAN UPDATE

KPMG submitted an update report on the action plan regarding the review of the Medium Term Financial Strategy .

The Committee was reminded of the recommendations made and the Council's response ;also detailed was the latest position as at March ,2007 to such recommendations as notified by the Director of Corporate Resources.

Resolved – That the Action Plan update be noted and that the Director of Corporate Resources report to future meetings as to year end balances for Departments /Service Area in order for the Committee to undertake year on year monitoring.

31 EXTERNAL AUDIT PLAN 2006/07 - PROGRESS REPORT

KPMG submitted a progress report on the 2006/07 External Audit Plan which included their comments on progress made .

Resolved – That the progress report be noted .