
AUDIT COMMITTEE

MEETING, 23RD JANUARY, 2008

Present – Councillors J. Walsh (Chairman), Connell, Hayes (as deputy for Councillor Hamilton), Hornby and Morgan (as deputy for Councillor R. Allen)

Mr. S. Arnfield

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Director of Corporate Resources

Mr. J. Midlane

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Head of Internal Audit and Risk

Ms. J. Burrows

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KPMG

Mr. A. Mee

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KPMG

Mr .R. Lee

-

KPMG

Mr. A. Jennings

-

Democratic Services Manager

Apologies for absence were submitted by Councillors R. Allen and Hamilton.

Councillor J. Walsh in the Chair

26 MINUTES OF THE LAST MEETING

The minutes of the proceedings of the meeting held on 5TH December,2007 were submitted and signed as a correct record.

Attached Reports:

[Minutes of the last meeting](#)

27 ANTI - FRAUD AND CORRUPTION STRATEGY

The Head of Internal Audit and Risk submitted a report that requested the Committee's consideration of the revised Anti – Fraud and Corruption Strategy.

The Anti-Fraud Policy was a key cornerstone of the Council's governance arrangements and the Comprehensive Performance Assessment (CPA) had highlighted this area as fundamental to the good governance of an authority and recommended regular reviews.

There were no fundamental changes to the existing policy but the document now included some revised policies relating to ICT.

The revised Strategy would be considered by the Executive Member Corporate Strategy and Finance at his meeting on 30th January, 2008 following which it would be widely promoted.

Resolved – That the revised Strategy be noted.

Attached Reports:

[Anti - Fraud and Corruption Strategy](#)

[Anti - Fraud and Corruption Strategy](#)

28 REVISED WHISTLE BLOWING POLICY

The Head of Internal Audit and Risk submitted a report that requested the Committee's consideration of a revised whistle blowing policy.

The revised policy would be considered by the Executive Member Corporate Strategy and Finance at his meeting on 30th January, 2008.

Resolved – That the revised policy be noted.

Attached Reports:

[Revised Whistle Blowing Policy](#)

[Revised Whistle Blowing Policy](#)

29 FOLLOW UP OF INTERNAL AUDIT

RECOMMENDATIONS - ORAL REPORT

The Head of Internal Audit and Risk updated the Committee with respect to those two areas that were reported to be outstanding at the last meeting following internal audit recommendations.

With respect to the Licensing Unit all outstanding recommendations had been agreed and were being implemented by the Director of Legal and Democratic Services.

These areas would be examined by internal audit in the near future.

The other area related to Pest Control and, at present, the Unit was examining the implications of the recommendations to make sure they were implemented. An update would be provided to the Committee's next meeting.

Resolved – That the progress report be noted.

30 REVIEW OF AUDIT COMMITTEE - SELF ASSESSMENT

Further to Minute 15 of the meeting held on 25th September, 2007 the Head of Internal Audit and Risk submitted a report that requested the Committee to consider a process of self assessment to measure its effectiveness.

In accordance with best practice it had been agreed that the annual review of internal audit would include the work of the Audit Committee itself. The review would be managed by the Chief Executive and the Director of Corporate Resources, and the results reported to Audit Committee in March, 2008.

In addition to the internal review KPMG had undertaken a review of the Committee and its work (Minute 31) the findings of which would be fed into the report for March, 2008.

It was felt that, in order to get a complete picture of the arrangements for an audit committee in Bolton, it was important that the views of members of the Committee were collected and collated. To facilitate this a series of questions had been formulated based upon CIPFA

guidance and it was proposed that they be used with members of the Committee. It was explained that the questions could be used either as an anonymous questionnaire to members or as a basis of discussion at a separate interactive session.

Members felt that the interactive session was the most appropriate means of soliciting the information and that the session should also include the Committee's deputy members.

It was felt that the session and its outcomes could be used as a useful training event and that the findings could be fed into the internal audit review; governance statement and the Committee's meeting in March, 2008.

Resolved – That the questions attached to the report be used to facilitate an interactive session with members and deputies of the Committee and that the Directors of Corporate Resources and Legal and Democratic Services be requested to arrange a suitable date.

Attached Reports:

[Review of Audit Committee - Self Assessment](#)

[Review of Audit Committee - Self Assessment](#)

31 DRAFT REVIEW OF AUDIT COMMITTEE

KPMG submitted a review of the work of the Audit Committee.

It was explained that good corporate governance required independent, effective assurance about the adequacy of financial management and reporting. These functions were best delivered by an Audit Committee, independent from the executive and scrutiny functions.

Effective Audit Committees helped raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.

The key findings had demonstrated that ,overall ,the Council had a relatively robust Audit Committee but there were a number of areas where good practice could be adopted and the Committee further strengthened. The keys findings were as follows ;

- The Audit Committee's terms of reference met the requirements set out by CIPFA;
- The Audit Committee was independent of the executive and scrutiny functions, thus providing status, independence and clarity to its role;
- The Audit Committee had the ability to provide challenge across the Council; and
- The Audit Committee provided a positive statement to the Council in respect of risk management and governance.

The key learning points were as follows;

- A rolling workplan should be established to drive Audit Committee meetings and ensure that its duties were fully discharged; and
- The Audit Committee needed to consider how it could best demonstrate its effectiveness and the impact it had on the Council's system of internal control.

The findings of the review and the recommendations would be discussed with officers in order to agree an action plan to address the key issues going forward.

Members felt that the annual report from the Committee should be presented to Council on an annual basis and should form part of the formal reporting mechanism.

KPMG indicated that they would also include a review of the effectiveness of external audit in the

recommendations for further discussion.

Resolved – That the review be noted.

Attached Reports:

[Draft Review of Audit Committee](#)

32 USE OF RESOURCES 2008 ACTION PLAN

The Director of Corporate Resources submitted a report that informed the Audit Committee of the action taken following receipt of the 2007 Use of Resources judgement and the Key Lines of Enquiry for 2008.

At the meeting of the Audit Committee on the 5th December ,2007 KPMG reported the outcome of the 2007 Use of Resources assessment. The overall score was 3 with the component scores being:

- Financial Reporting 3
- Financial Management 3
- Financial standing 3
- Internal Control 3
- Value for Money 3

KPMG reported that, overall, the Council had demonstrated that it had embedded its processes and had made progress towards a level 4 in some areas. During 2006/07 the Council improved in two areas in respect of how the Council managed its performance against budgets (which improved from a 3 to a 4) and its asset base (which improved from a 2 to a 3). However, one area had seen a reduction from a 3 to a 2 in respect of the arrangements that were in place to promote and ensure probity and propriety in the conduct of its business. Overall standards had been raised across all themes and an action plan was in place to address the issues raised and also address the new criteria which would apply to the 2008 Use of Resources assessment.

The key actions which either had or would be undertaken

to achieve an improved score in 2008 were detailed in the report.

Resolved – That the action plan now detailed to improve the 2008 use of resources judgement be noted.

Attached Reports:

[Use of Resources 2008 Action Plan](#)

33 ANNUAL EXTERNAL AUDIT REPORT 2006/07

KPMG submitted a report that summarised the external audit work undertaken with regards to the areas of responsibility under the Audit Commission's Code of Audit Practice.

It was explained that under the Code KPMG were required to review and report on two specific areas which had been used to structure the report, namely;

- (a) Accounts and Statement of Internal Control ; and
- (b) Use of Resources.

The majority of the issues summarised in the report had previously been reported to the Committee and were detailed in Appendix A.

With respect to (a) above KPMG had previously issued an unqualified opinion in September, 2007 and had issued their audit certificate which marked the conclusion of the process.

Members were reminded that with respect to use of resources the Authority had achieved an overall score of level 3.

It was also reported that KPMG had issued an unqualified conclusion that the Authority had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

KPMG stated that the achievement of a four star overall performance rating demonstrated a maintained performance in the delivery of Council services and was an excellent achievement.

The following key areas for review had been identified;

- Ethical framework;
- Risk management and the Audit Committee; and
- Cross cutting work on community safety.

Resolved – That the report be noted.

Attached Reports:

[Annual External Audit Report 2006/07](#)