
AUDIT COMMITTEE

MEETING ,25TH JUNE ,2007

Present – Councillors J. Walsh (Chairman), R. Allen, Ayub ,Connell , Hamilton and Hornby .

Mr. S. Arnfield

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Director of Corporate Resources

Mr. A . Wright

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Group Auditor

Mr. A. Gardner

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Policy Accountant

Ms . J . Burrows

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KPMG

Mr .R . Lee

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KPMG

Mr. A. Jennings

-

Democratic Services Manager

Councillor J Walsh in the Chair

1 MINUTES OF THE LAST MEETING

The minutes of the proceedings of the meeting held on 30TH March ,2007 were submitted and signed as a correct record.

Attached Reports:

[Minutes of the last meeting](#)

2 INTERNAL AUDIT SECTION - ANNUAL REPORT 2006/07

The Head of Internal Audit and Service Development submitted the 2006/07 Annual Report for the Internal

Audit Section which provided details of the work of the section during 2006/07.

One of the key events in 2006/07 had been the publication by CIPFA of the new Code of Practice for Internal Audit in Local Government in the UK 2006. This replaced the old 2003 code and was regarded as best practice within the profession. The Internal Audit Section in Bolton had just achieved 100% compliance with the old code when the new one was published.

The Audit Committee received a report at its meeting on 15th March ,2007 which showed that the Section had met 96% of the requirements of the new code and the proposed actions to meet the rest. Comparison across Greater Manchester authorities showed that this level of compliance placed Bolton in the upper quartile for compliance.

2006/07 also saw the introduction of the Financial Management in Schools (FMSiS) initiative across all secondary schools. This was a programme introduced by the Government which promoted high standards of financial management in schools and required each school to produce a certificate of compliance each year; the annual certificates needed to be audited. The initiative was being phased in over three years and 2006/07 saw its introduction in all secondary schools. Internal audit had worked closely with schools to help them understand the requirements as well as signing off the individual certificates.

The report concluded that ,overall , the internal control environment of the Authority was adequate and effective .

Resolved – That the Committee notes the work carried out during 2006/07 ,together with the opinion of the Head of Internal Audit.

Attached Reports:

[Internal Audit Section - Annual Report 2006/07](#)

[Internal Audit Section - Annual Report 2006/07](#)

3 INTERNAL AUDIT ANNUAL PLAN 2007/08

The Head of Internal Audit and Service Development submitted a report which detailed the draft internal audit plan for 2007/08 .

Internal Audit had a crucial role to play in securing and maintaining standards by carrying out a detailed cyclical review of the Authority's systems and processes, supplemented by a programme of establishment visits and probity checks.

The Internal Audit function was one of the five areas of assurance within the Authority which contributed to the Statement on Internal Control (SIC). Every year the Head of Internal Audit was required to give an opinion on the "overall adequacy and effectiveness of the organisation's internal control environment" This opinion was based upon the planned work undertaken during the year

The basis cycle of internal audit work assumed that every activity of the Authority would be reviewed every three years. In addition Internal Audit coverage within the Authority was based on issues highlighted in the corporate risk assessment process supplemented by a more detailed assessment of risk, which evaluated each audit area on the basis of three factors:

- Materiality
- Inherent risk
- Internal control risk.

Close liaison with customers and the Council's risk register ensured that key strategic areas which were identified in the Corporate Business Planning Process (CBPP) were covered.

Based upon the process described above a draft plan had been produced for 2007/08 and was appended to the report .

Internal audit activity against the plan would be monitored during the year and reports brought back to the Audit Committee.

Resolved – That the internal audit plan for 2007/08 be approved .

Attached Reports:

4 STATEMENT ON INTERNAL REPORT

The Director of Corporate Resources submitted a draft Statement on Internal Control for 2006/07.

The SIC had to be published as part of the annual accounts of the Authority and needed to be approved by the end of June, 2007.

The systems of internal control had generally been found to be effective,

The draft Statement on Internal Control 2006/07 was appended to the report and the following areas of new work for 2007/08 had been identified ;

(a) further development of the role of the Audit Committee ;

(b) the development of appropriate processes to enable the Standards Committee to deal with local investigations and embedding the new Code of Conduct ; and

(c) development of good governance and risk management within partnerships .

Resolved – The Committee noted the areas identified for inclusion in the 2006/07 SIC and agreed that the issue of training for Committee members would be discussed at the Committee's next meeting following KPMG's review of the work of the Audit Committee.

Attached Reports:

[Statement on Internal Report](#)
[Statement on Internal Report](#)
[Statement on Internal Report](#)

5 STATEMENT OF ACCOUNTS 2006/07

The Director of Corporate Resources submitted the draft pre-audit Statement of Accounts for approval prior to the Accounts being submitted for audit.

The new requirements of the 2006 Local Authority

Accounting Code of Practice involved significant changes to the presentation of the Statement of Accounts and the restatement of the accounts had raised some transitional issues.

The foreword by the Director of Corporate Resources explained the developments in the year ;the format of the accounts and major financial variances; the document contained the Council's core financial statement and supplementary financial statements .

The report would also be considered by the Constitution Panel on 29th June, 2007.

Resolved – That the draft Statement of Accounts be noted.

Attached Reports:

[Statement of Accounts 2006/07](#)

[Statement of Accounts 2006/07](#)

6 CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN THE UK 2006 - FOLLOW UP

The Head of Internal Audit and Service Development submitted a report which informed the Committee of the progress with implementing the outstanding issues from the CIPFA Code of Practice for Internal Audit in the UK 2006.

The last report to Audit Committee listed 5 areas for improvement along with a timetable for implementation. A summary of progress to date was as follows:

- clarification around the Terms of Reference of the service-this had now been achieved;
- develop relationships with the internal auditors of other partner organisations - Organisations now identified, discussions underway about best ways of working;
- seek to establish channels of communication with

other regulatory and inspection agencies -
organisations now identified, discussion
underway about best ways of working;

- minor additions to the information included in the annual audit plan – this had now been achieved; and
- formalisation of the external quality assurance arrangements - looking at peer review with other Greater Manchester authority .

Resolved – That the progress to date be noted and that further updates be provided .

Attached Reports:

[CIPFA Code of Practice for Internal Audit in the UK 2006 - Follow Up](#)

7 ANNUAL AUDIT AND INSPECTION LETTER

The Director of Corporate Resources submitted a report that detailed the content of the Annual Audit and Inspection Letter .

The Commission's report provided an overall summary of the Audit Commission's assessment of the Council and drew its findings and conclusions from the audit of the Council and inspections that had been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.

The main issues highlighted in the report were as follows ;

- Bolton Council continued to perform at a high level, retaining its 4 star rating under the CPA methodology and achieving an "improving well" in the direction of travel judgement. There was a clear focus on improving the quality of life for all and in particular those in deprived communities. Closing

the gap between different communities across the Borough was a key element of Council and partnership working and there were encouraging signs of progress.

- Service quality was good overall and was excellent in some areas, particularly Adult services who were seen as excellent in helping vulnerable people live independently. Performance had also improved in benefits and cultural services.
- The targeted efforts to improve the quality of the environment was yielding results and resident satisfaction with cleanliness had risen markedly through a focus on more deprived areas and closer integration of Council services.
- There was continued success in job creation, attracting inward investment and pressing ahead with regeneration across the Borough. Employment rates were rising but future prosperity could be hindered if issues such as equality of opportunity across all communities were not addressed in areas such as educational attainment.
- Strong partnership working was contributing to achievement of long-term crime reduction targets. There had been considerable attention on reducing the gap in crime levels between deprived and other communities and this approach was yielding results. However, crime levels remained comparatively high and a recent slow down needed to be closely monitored.
- Internal capacity could be further strengthened by continuing to focus on improving value for money, addressing high rates of sickness absence, tackling high vacancy levels in adult social care and further developing the approach to workforce planning. These areas were considered important as they would help increase available capacity to deliver Bolton's ambitious plans including the on-going change programme.

The Commission's report also detailed the following action required by the Council ;

- work with partners to continue to focus on closing the gap between different communities across the Borough, particularly the disparities in educational attainment;
- closely monitor and ,if necessary, take action to address recent rises in some crime levels. In particular further progress was needed to address higher crime areas and halt the rise in overall levels of violent crime. There was a risk that long-term crime reduction targets would not be met if performance deteriorated;
- addressing continuing gaps in internal capacity, primarily addressing sickness absence, vacancy levels in adult social care and further developing the approach to workforce planning. Delivery of this would put the Council in a much stronger position to deliver its ambitious change programme;
- improve the processes in place for the management of the Council's fixed asset base;
- demonstrate how service investment achieved output consistent with objectives;
- quantitatively assess, monitor and report the level of reserves;
- continue to review and enhance the processes in place for risk management so that the Council could clearly demonstrate it was embedded within corporate business processes; and
- make value for money an integral part of the performance management framework.

The letter had been considered by the Executive at its meeting in April ,2007 .

Resolved – That the Annual Audit letter be noted .

Attached Reports:

[Annual Audit and Inspection Letter](#)
[Annual Audit and Inspection Letter](#)

8 PROGRESS REPORT AGAINST THE 2006/07 AUDIT AND INSPECTION PLAN

Representatives from KPMG submitted a progress report against the external audit and inspection plan 2006/07 .

Resolved – That the progress report be noted .

Attached Reports:

[Progress Report Against the 2006/07 Audit and Inspection Plan](#)

9 REVIEW OF LOCAL AREA AGREEMENTS - STAGE 1 EMERGING ISSUES

Representatives from KPMG submitted a report on the emerging issues of the stage 1 review of the Local Area Agreement (LAA) .

Members were reminded that Local Area Agreements (LAAs) had been established in local authority areas to encourage public, private and community and voluntary sector bodies to pool their efforts and financial resources in order to improve services and quality of life for local people. The initiative built on the experience of partnership working that had developed over recent years, particularly through Local Strategic Partnerships (LSPs).

The Council was amongst the second wave LAAs with a three year agreement commencing on the 1st April ,2006. The agreement was between central government, represented by the Government Office, and the local area represented by the Council, and other key local partners.

Under the Audit Commission Code of Audit Practice KPMG were required to carry out work to evaluate significant risks to the body subject to audit. KPMG therefore undertook a review of the risks associated with the Council's participation in the Bolton LAA as part of the 2006/07 Audit and Inspection Plan.

The key findings were as follows ;

- The LAA was directed by informed decision making, both in terms of financial and performance information, which were monitored on an ongoing basis;

- Arrangements were in place to provide assurance over the robustness of performance indicators;
- Appropriate controls were in place over the utilisation of LAA funds;
- There were no significant concerns in respect of the achievement of performance indicators.

KPMG also identified the following key areas for consideration:

- The LAA had not undertaken a formal risk identification and assessment, and a Risk Management Strategy was not in place.
- Funding received can be vired within but not between, individual LAA blocks. This had been adhered to in 2006/07, but indications were that funding for 2007/08 was not wholly consistent with committed expenditure. The lack of financial freedom in respect of viring between blocks and between revenue and capital may have a significant impact on the achievement of LAA plans, especially in respect of the NRF funding stream.

KPMG would agree with officers the areas to review as part of stage two of the audit .

KPMG planned to undertake stage two of the review of LAA arrangements as part of the 2007/08 Audit and Inspection Plan.

The detailed specification of this work had yet to be agreed with the Council, but it was anticipated that it would involve the following:

- Interview a selection of partners to confirm understanding amongst partners of governance, financial management and performance management arrangements;
- Interviews with local community representatives and other stakeholders – members felt that Neighbourhood Action Plans could also provide suitable community representation ;
- Interview lead performance and finance leads for the blocks;
- Interview with Members; and
- Identification of good practice.

Resolved – That the review be noted .

Attached Reports:

[Review of Local Area Agreements - Stage 1 Emerging Issues](#)

10 2007/08 AUDIT AND INSPECTION PLAN

Members were apprised of the Audit and Inspection Plan which set out the audit and inspection work that the Audit Commission and KPMG LLP proposed to undertake in 2007/08. The plan had been drawn up from the Commission's risk-based approach to audit planning and the requirements of the new Comprehensive Performance Assessment (CAP).

Resolved – That the Plan be noted.

Attached Reports:

[2007/08 Audit and Inspection Plan](#)

[2007/08 Audit and Inspection Plan](#)

11 DATES OF FUTURE MEETINGS

Resolved – That subject to confirmation of the dates with the Chairman and Director of Corporate Resources the Committee meet on the following dates ;

Thursday , 27th September ,2007 at 10.00 am ;

Thursday , 6th December ,2007 at 10.00 am ; and

Thursday ,13th March ,2008 at 10.00am .