

## REPORT OF AUDIT COMMITTEE

### GENERAL REPORT

1. This report gives a brief summary of the items discussed at the meeting of the Audit Committee held on 27 September 2007.

#### Financial Statements 2006/2007

2. The Audit Commission had audited the Financial Statement of Accounts for 2006/2007 and although there were no changes to the Council's financial position, a number of technical changes had been made to reflect the Council's activity more accurately.
3. The main change had centred on the Income and Expenditure Account for the year ended 31 March 2007. The general fund showed a deficit that did not actually exist. The Statement of Recommended Practice (SORP) had dictated the figures be recorded this way to reflect the activity concerning the Large Scale Voluntary Transfer process.

#### Annual Governance Report

4. The Audit Commission submitted their Annual Governance Report that provided a summary of the work undertaken during the 2006/2007 audit of the accounts.
5. At the time the report had been issued, work on the financial statements had been substantially complete, there had been a few outstanding issues that had since been resolved and they were confident of issuing an unqualified audit opinion on 28 September 2007.
6. The Audit Commission had been satisfied that the Council's Governance Assurance Statement had been prepared in accordance with proper practice and was consistent with the findings from their audit.
7. The work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources had also been completed and they would also be issuing an unqualified conclusion on the Value of Money on 28 September 2007
8. The Audit Commission had commented that it had been extremely tight to turn the accounts around and they intended to meet with the Authority to address the issues within the timetable for the closure of accounts. However, it was felt that, the development of the shared financial arrangements that were now in place with our neighbours South Ribble Borough Council would improve the situation in the future.

9. The Chair commented on the importance of the potential consequences, had the Council missed the 30 September 2007 deadline. If this date had of been missed it would have impacted on the Authority's Value for Money (VFM) score, the Councils creditability would have been affected and we would have incurred even higher Audit Commission fees.

#### Annual Audit and Inspection Letter Progress Report

10. The Assistant Chief Executive (Business, Transformation and Improvement) submitted a report informing Members of the progress made against the actions recommended by the External audit in the annual inspection report for 2006.
11. Progress against all the actions had gone as planned, although further works had been needed in relation to the Corporate Strategy on targets that were currently not being met, in the main progress against most of the targets had been good.
12. The Committee felt reassured that the Council had put in place robust performance management arrangements that would identify when targets would not be met and what action would be taken to rectify the situation.

#### Local Code of Governance

13. The Assistant Chief Executive (Business Transformation and Improvement) submitted a report to explain the new requirement placed upon Council's to deliver and maintain a Local Code of Corporate Governance and presented to the Committee a draft Code that had been prepared in accordance with the guidance, for Members to a note and approve for further consultation.
14. The CIPFA SOLACE Framework identified 6 core principles that would underpin the council's system of governance and where ever possible references would be made to external or internal audit reports that would confirm the effectiveness of the arrangements that had been put into place.
15. The Committee would review and approve the draft statement prior to publication, but more importantly would have the responsibility for reviewing the adequacy and effectiveness of the Council's overall Governance arrangements.

#### Risk Management Framework

16. The Assistant Chief Executive (Business Transformation and Improvement) submitted a report, seeking approval of the Committee for the revised Risk Management Framework that set out the current approach for managing business risk within the Council.

17. The Council's arrangements for managing business had developed over time to reflect changes in "best practice" or to comply with new regulatory requirements. It would now be expected that the Authority's risk management arrangements would be recorded in a formal framework or strategy document, to be approved by the Members of the Audit Committee.
18. Members enquired if other plans, for example the Business Continuity Plan would be contained within the Risk Management Framework and it was agreed to amend the framework to show links to all other documents that were listed separately within the Council.

#### Strategic Risk Register

19. The Assistant Chief Executive (Business, Transformation and Improvement) submitted a report to explain the recently updated Strategic Risk Register and to provide Members with assurance, that the Council's arrangements for managing strategic risk, reflective best practice and was effective.
20. The Members of the Committee had been satisfied that the register demonstrated the processes in place were robust and working in practice, by delivery of the stated targets and felt confident that the Authority is managing risk effectively.
21. Members commented that it would be helpful to include timed delivery points in the register so that the Authority could measure its success in the future.

#### Internal Audit Strategy

22. The Assistant Chief Executive (Business Transformation and Improvement) submitted a report seeking approval of the new Internal Audit Strategy that had been a requirement of the latest CIFPA Code of Practice for Internal Audit.
23. There is now a requirement by the Council to conduct a review of the effectiveness of its system of internal audit, on that basis a self-assessment had been undertaken for 2006/2007. The review had identified no substantive compliance issues, except for the need to produce a formal Internal Audit Strategy.

#### Interim Report on Internal Audit Activities as at 14 September 2007

24. The Assistant Chief Executive (Business, Transformation and Improvement) submitted an interim report on the work that had been undertaken in respect of the Annual Internal Audit Plan during the first and second quarters of 2007/2008 and provided details on further reviews, investigations and other Internal Audit activities during the period.

25. The report highlighted a number of items of work that had been undertaken by the Internal audit Service on a wide range of areas across the Authority that fell under the following headings:

- Corporate Governance
- Risk Management
- Ant-Fraud and Corruption
- Review of Key Business Systems
- Review of Financial Systems
- Review of Key Operations

### Recommendations

26. That the Council notes the report and the following resolutions of the Audit Committee:

That the Financial Statement of Accounts for 2006/2007 be approved.

That the Annual Governance Report be noted.

That the Annual Audit and Inspection Letter Progress report be noted and the Executive Cabinet be asked to provide a comprehensive report on the re-profiling of the four targets that had not been met in the Council's Corporate Strategy.

That the new Local Code of Governance be approved for further consultation.

That the amended Risk Management Framework be approved.

That the Strategic Risk Register update report be noted.

That the Internal Audit Strategy be approved.

That the Interim Report on Internal Audit Activities as at 14 September 2007 be noted.

COUNCILLOR A GEE  
Chair of the Audit Committee

DS

There are no background papers to this report.