

## **Audit Committee**

A meeting of Audit Committee was held on Monday, 10th December, 2007.

**Present:** Cllr John Fletcher, Cllr Robert Gibson, Cllr Maurice Perry, Cllr Mrs Sylvia Walmsley, Cllr Barry Woodhouse

**Officers:** P. Saunders, J. Bell, H. Fowler, D. MacDonald, B. Simpson (RES); J. Allport (DNS); M. Henderson (LD)

**Also in attendance:** Cath Andrew (Audit Commission) and John Taylor (Tristar Homes Limited)

**Apologies:** Cllr Maurice Frankland, Cllr Kath Nelson, Cllr Ross Patterson and Cllr Michael Womphrey

### **A**

**25/07**

#### **Declarations of Interest**

Councillor Fletcher declared a personal, non prejudicial interest in item 6 entitled 'Health and Safety Report' as his wife had received treatment under the Back Care Programme.

**A**

**26/07**

#### **Minutes of the Meetings held on 28th June 2007, 20th August 2007 and 26th September 2007 - for signature.**

The minutes of the meetings held on 28th June 2007, 20th August 2007 and 26th September 2007 were signed by the Chairman as a correct record.

**A**

**27/07**

#### **Use of Resources - Report of Audit Commission**

Cath Andrew (Audit Commission) was in attendance to present a report relating to the Council's Use of Resources.

Members noted that the Use of Resources assessment evaluated how well the Council managed and used resources during the year ended 31st March 2007. The assessment focused on the importance of strategic financial management, sound governance and effective financial reporting.

It was explained that the overall use of resources assessment was made up of five themes i.e Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. Each theme was judged against the Audit Commission's scale used across its inspection and performance assessment frameworks:-

Score 1 – below minimum requirement – inadequate performance

Score 2 – Only at minimum – adequate performance

Score 3 – Consistently above minimum requirements – performing well

Score 4 – Well above minimum requirements – performing strongly

Members were provided with details of key findings, conclusions and improvement opportunities. It was noted that the Council had achieved the highest possible score of 4 in each of the 5 themes and a consequent overall score for Use of Resources of 4.

The Chairman, on behalf of the Committee, thanked Mrs Andrew for attending and presenting the report.

The Committee considered the report and asked a number of questions for clarification.

Members were delighted with how positive the report was and congratulated and thanked all officers associated with the areas of work involved.

RESOLVED that the report be noted.

**A**  
**28/07**      **Update on Audit Report 2005/06 Tristar Decent Standard Final Accounts**

Members were reminded that the Committee had expressed a number of concerns in connection with an audit of the Tristar Decent Standard Final Accounts. Specifically, Members were concerned about payments made to contractors for which the full value had not been validated. Members had asked that an update report be brought back to this meeting of the committee.

Details of an Action Plan designed to implement the recommendations of the audit were provided to Members.

John Taylor, Finance Director & Company Secretary at Tristar Homes Ltd was in attendance to answer any Member questions.

Prior to debating this matter the Chairman raised the issue of the Committee's ability to secure the attendance of Tristar Officers at meetings. It was noted that specific sections of the management agreement with Tristar, referred to the Council's ability to get all necessary information from Tristar and it was felt that this was sufficient to ensure that the Committee would be able to question Tristar officers when it considered it to be appropriate. The Committee noted this, but requested that the wording of the relevant section(s) be presented to the Committee's next meeting.

John Taylor provided an overview of the steps that had been taken to implement the recommendations of the Audit.

An officer from Internal Audit indicated that, given problems highlighted in the past, auditing of Tristar Accounts now had a dual approach. The Final Accounts continued to be audited in the usual manner, but audits were also ongoing throughout the year to ensure any problems were picked up at an early stage.

Members considered the information they had been provided with and expressed general concern at the processes involved. Particular reference was made to the Kennedy Gardens Final Account where £262,266 had not been substantiated.

Members were informed of the basis on which contracts, for Decent Standards work, had been let. The Committee noted that the contracts allowed for the Council to benefit from any profits/savings made by the partner (contractor) in undertaking the works. The contract stipulated that 100% of works undertaken had to be substantiated by paperwork provided by the partner.

In circumstances where schemes, such as Kennedy Gardens, included costs

that had not been substantiated, negative certificates had been issued and relevant costs reclaimed. Effectively contract arrangements meant that the Council would benefit when partners were unable to substantiate costs.

Members noted that procedures had been introduced requiring partners to provide scheme documentation within 6 months of the scheme's completion.

The Committee was pleased to note that an independent surveyor had been re-appointed to undertake the auditing process of substantiating actual contractors' costs.

Members also discussed workmanship issues and noted that any problems experienced in the 12 months following the work would be picked up by the contractor and, subsequently, any problems would be dealt with as a normal repair.

The Committee noted the reported progress and requested that a further report on progress be presented to the Committee in 6 months.

Resolved that

1. the Committee receive a progress report in 6 months.
2. at a future meeting, the Committee considers details of the Council's Management agreement with Tristar as it relates to receipt of information and Tristar Officers' attendance at meetings of the Committee.

**A**  
**29/07**

### **Health and Safety Report - 30th September 2007**

Members considered a report that provided accident, assault and training statistics for the period July to September 2007.

It was explained that 21 training sessions had been delivered in this quarter, to a total of 174 delegates. There were 6 additional bespoke courses delivered within departments, including 2 sessions rolling out Construction Design Management Regulations 2007 to the Technical Services Division & CESC.

There had been 93 Back Care referrals received in the quarter, along with 171 Sickness Absence referrals, 83 New Physio appointments, 304 Physio Review appointments, 14 Work Place assessments & 9 Return to Work / Occupational Health Assessments. The Back Care Adviser also delivered 3 training sessions within the complex needs areas of CESC.

Accidents reported to the Health & Safety Unit this period were 45. This compared with 23 over the same period last year and with 28 in the previous reporting period.

Physical Assaults reported to the Health & Safety Unit this period were 22. This compared with 20 over the same period last year and with 35 in the previous reporting period.

Verbal Assaults reported to the Health & Safety Unit this period were 20. This compared with 14 over the same period last year and with 17 in the previous reporting period.

A breakdown of all of the above issues was also provided to Members.

RESOLVED that the report be noted.

**A  
30/07**

### **Internal Audit Report - 30th September 2007**

Consideration was given to a report that advised Members of the work carried out by the Internal Audit Section and the progress that had made during the quarter July to September 2007 against the current annual audit plan.

It was outlined that Internal Audit was an independent appraisal function established by the Council to objectively examine, evaluate and report on the adequacy of internal controls. This role ensured that there was proper economic, efficient and effective use of resources. It also ensured that the Council had adequate accounting records and control systems.

Members were reminded that the list of all audit work undertaken in the period covered by the report (Appendices B & C) had been circulated to all Councillors prior to the meeting.

The appendices that were attached to the report showed details of the sections performance in the following areas:-

- 1.Key Performance Indicators.
- 2.List of audits undertaken and number of recommendations made.
- 3.Details of audits by Service Groupings.

An Officer provided additional information relating to a number of the Audits. Members considered the information provided and asked a number of questions relating to the following :-

- Oxbridge Lane Primary School
- Access Controls – Corporate Audit
- Tees Valley Music.

Although there were a high number of recommendations in each of the above reports, none had been graded as a 3 or a 4 and the overall audit opinion for each of the three audits had been assessed as substantial assurance.

RESOLVED that the report be noted.

**A  
31/07**

### **Corporate Risk Register - 30th September 2007**

Members were reminded that quarterly reports on the Corporate Risk Register would be presented for the purpose of reviewing the key risks that had been identified as having the potential to deflect services from achieving their objectives over the next 12 months and beyond. They also set out the actions being taken to ensure that the risks, and possible adverse outcomes, were

minimised.

The Committee had requested that, in the absence of substantial changes to the register, quarterly reporting should be confined to highlighting significant additions and amendments since the previous update, with a detailed report incorporating a review of the Council's risk management process being produced annually.

Members considered an interim report that covered the period July to September. All Service Groups had been contacted subsequently and the returns indicated that there had been some changes to the Authority's risk profile over the months in question. These comprised the addition and deletion of a number of risks and revision of some of the existing entries and were particularly described later in the report.

The changes since the last reported position were provided and Members noted the new risks added to the register:-

- Impact of an outbreak of pandemic influenza on business critical services
- Demographic changes resulting in increased demands for services
- Backlog of clients awaiting assessment for equipment and adaptations

Members also noted that six risks had moved below the corporate reporting threshold and had therefore been deleted from the register. Additionally, information was provided on the latest reordering of entries in the register and it was explained that there had been no other changes to existing entries on this occasion.

The Committee was informed that the total number of significant risks in the Corporate Risk Register had reduced from 14 at the end of June 2007 to 11 at the end of September 2007.

Members noted that the changes referred to above had been incorporated in the latest version of the Corporate Risk Register. This was available in the Member's Library and an electronic copy incorporating the supporting risk assessment details had been placed on the intranet (Toolkit/Risk Management & Insurance/Risk Management/Corporate Risk Register).

RESOLVED that the report be noted.

**A  
32/07**

### **Audit Committee Training**

Members considered a report that proposed a training structure and role descriptor for Members serving on the Council's Audit Committee.

The Committee was reminded that since its formation, nearly two years ago, the Committee had received basic introductory training on the main areas of work it was responsible for e.g Internal Audit, Risk Management, Health and Safety, Statement of Internal Control etc.

This training had been useful, however, in order for the Committee to grow in experience and build on its effectiveness it was considered essential that more structured, in depth training was provided to the Committee and individual

Members.

In order to achieve this, and reflecting CIPFA advice, it was suggested that the Committee approaches its future training needs in a number of ways:-

- Initially Members of the Committee would receive training from an external facilitator/professional advisor. This could be tailored to meet the Committee's needs and would provide extensive training on the core areas of work undertaken by the Committee, as well as offering valuable advice on best practice and how to consider and deal with issues effectively.
- The initial training, described above, would be supplemented, throughout the year, by in house training sessions on specific areas of work. Sessions may be triggered by changes to relevant legislation or Council policy/practice but equally sessions may seek to refresh or extend Members knowledge of particular issues.
- Specific training by the Council's external auditor in relation to their areas of expertise.
- Individual Committee Member's skills and knowledge would be assessed, against the draft Audit Committee role descriptor, in order to identify any gaps. Training needs identified would be added to the Member's Personal Support Plan.

With regard to the role descriptor Members agreed that it identified general skills that were not uniquely beneficial to Members of the Audit Committee. Members felt the skills identified would also benefit other Members, on other Committees, and consideration should be given to a means of delivering a range of such skills and knowledge at a training event e.g a seminar. It was suggested that the Members' Advisory Panel might have a view on this.

Members discussed the various elements of the proposed training structure and agreed them.

RESOLVED that:-

1. the column headed "Audit Committee Member – Role Description" be approved.
2. the Committee's comments relating to the role descriptor and the delivery of some of the "Outcomes", skills and knowledge identified in it, be forwarded to the Members' Advisory Panel.
3. the Committee's training structure, as detailed below, be approved.
  - an initial training session provided by external facilitator
  - Supplementary training sessions provided in-house
  - Training by the Council's External Auditor where appropriate
  - Delivery of individual Members needs via their Personal Support Plan

Members considered a report relating to a Toolkit for Local Authority Audit Committees, produced by CIPFA, that provided detailed advice, and suggested good practice, to assist members and officers who served on or supported an Audit Committee. The Toolkit had previously been circulated to all Members of the Committee.

It was explained that within the Toolkit was a Self Assessment Checklist based on best practice. Officers, in consultation with the Chairman and Vice Chairman, had undertaken an analysis of the operation of Stockton's Audit Committee, to date and had completed the checklist accordingly. A draft copy of the completed checklist was provided to Members for consideration.

Members noted that most of the responses were positive and included those issues where it was considered that the Committee had adequate alternative arrangements, to those described in the toolkit.

The negative responses included issues that the Committee had discussed previously and agreed a course of action. However, there was also a number of negative responses that highlighted areas where it was considered that appropriate actions would benefit. Members noted that these actions would form part of the Committee's training structure.

RESOLVED that the completed draft Self Assessment Checklist and the actions for improvement be approved.

**A  
34/07**

### **The Effective Audit Committee - Chairs Report**

The Committee considered a report prepared by the Chairman providing the Committee with feedback on a one-day seminar, he and the Chief Internal Auditor had attended, entitled "the Effective Audit Committee".

The report also proposed ways in which the committee could improve and become more effective.

The Chairman explained that both he and the Chief Internal Auditor arrived at the general conclusion that the day identified correctly the problems encountered in becoming a more effective audit committee but supplied no easy-win answers.

Members considered and noted the report.

The Chairman drew Members' attention to the section of his report relating to the production of the Committee's Annual Report. Members were reminded that the Committee had previously agreed to produce an Annual report and that initially the report would be prepared by the Chairman and Vice Chairman in consultation with relevant expert officers, prior to agreement by the Committee. The time period that the report would cover had not been determined and the Chairman suggested that it cover the Committee's work on the Authority's control environment for the year ending 30th September 2007. The Committee considered and agreed this.

RESOLVED that

1. the Chairman's report be noted.
2. the Committee's Annual Report cover the Committee's work on the Authority's control environment for the year ending 30th September 2007.