

## **Audit Committee**

A meeting of Audit Committee was held on Monday, 14th April, 2008.

**Present:** Cllr Barry Woodhouse (Chairman); Cllr John Fletcher, Cllr Maurice Perry, Cllr Mrs Sylvia Walmsley and Cllr Mick Womphrey.

**Officers:** H Dean (CE); D E Bond, M Henderson (LD); A Barber, I Jones, G Prothero, B Simpson (R).

**Also in attendance:** C Andrew, Audit Manager for the Audit Commission, S Nicklin (District Auditor).

**Apologies:** Cllr Maurice Frankland, Cllr Miss Tina Iarge, Cllr Mrs Kath Nelson and Cllr Ross Patterson.

### **A       Declarations of Interest**

**1/08**

There were no interests declared.

### **A       Minutes**

**2/08**

The minutes of the meeting held on 25th February 2008 were signed by the Chairman as a correct record.

### **A       Audit Committee Terms of Reference and Proposed Work Programme 3/08   2008/09**

Consideration was given to a report on the Terms of Reference of the Audit Committee and the proposed Work Programme for the Committee for 2008/09.

The Terms of Reference for the Audit Committee were approved by Council at its meeting held on 25 January 2006 and formed part of the Council's Constitution. They were subsequently revised by Council in July 2007. Details were attached to the report. At its meeting in January 2006 Council also approved a Statement of Purpose for the committee as follows:-

"The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process."

At the first meeting of the Audit Committee, of each Municipal year, Members were asked to consider and approve a work programme for the coming year. A proposed work programme for 2008/09 was attached to the report for consideration.

RESOLVED that:-

1. The Committee's Terms of Reference and Statement of Purpose be noted.
2. The Work Programme for 2008/08 be approved.

### **A       Standards Committee and Audit Committee Liaison**

Consideration was given to a report on discussions and outcomes from a meeting between Audit Committee and Standards Committee chairs and vice chairs.

The meeting had been arranged in order to discuss issues surrounding areas of work considered by both committees.

Members were aware that, within both Committees' Terms of Reference, were areas of common responsibility, these included:-

- In conjunction with each other, maintain an overview of the Council's Constitution and to consider the Council's compliance with its own and other standards and controls.
- Consider details of key ethical or wider corporate governance issues.

Given these common responsibilities a number of issues (or elements of them) were reported to both committees eg:-

- Audit Commission's Annual Governance Report
- Annual Governance Statement
- Constitutional changes
- Internal Audit Reports
- Members' Code of Conduct
- Corporate Governance Updates

Also each Committee considered the other's Annual Report.

Members discussed the issues that typically were reported to both Committees and agreed that current arrangements were appropriate.

It was considered that each committee had other roles and a different membership, so were likely to consider the same information from a different perspective. This was considered to be important. The fact that the Standards Committee had independent members also provided assurance that ethical standards and controls were being assessed by a body without exclusively Council membership.

It was agreed that where one committee led on a particular issue it was important that the other committee provided comments directly back to the lead committee for consideration. For instance any comments, made by the Standards Committee on the Annual Governance Statement must be considered by the Audit Committee. Equally any comments on codes of conduct, made by Audit, should be forwarded to Standards.

Members recognised that there would be other areas of work, undertaken solely by each committee that may provide indicators of the Council's ethical and corporate governance health and it was agreed that when this occurred it would be beneficial for the committees to share such information.

Consideration was given to draft work programmes 2008/2009 for both committees and a number of slight amendments were made. The proposed

work programmes 2008/2009 were attached to the report.

In conclusion it was agreed that the chairs and vice chairs of the committees should meet twice a year to monitor dual reporting arrangements and discuss any other relevant issues affecting the committees' operation.

RESOLVED that:-

1. The outcomes of the meeting be noted.
2. The current practice of reporting areas of joint responsibility to both committees continue.
3. The chairs and vice chairs of the Audit Committee and Standards Committee meet on a six monthly basis.

**A  
5/08**

### **Internal Audit 2007 - 2008**

Consideration was given to Internal Audit's annual report 2007/2008. The report provided Members with details of the Audit Service's performance during this period. The overall performance of the Service was summarised as follows:-

- 119 of the planned 134 audits (88.8%) will be completed (target - 93%) plus an additional 25 ad-hoc (investigations or performance indicators) audits were undertaken. As at 31 March 2008, there were a total of 126 audits completed.
- 27 primary schools awarded FMSiS accreditation. This is part of a three year programme.
- 100% acceptance of audit recommendations;
- Satisfactory management satisfaction survey ratings (4.54 out of a possible 5);
- Satisfactory annual report from the External Auditor;
- ISO9001 (2000 standard) accreditation retained;

It was also noted that there had been a significant staffing reorganisation with one person retiring and two leaving to progress their careers elsewhere. This had led to a number of internal promotions and the appointment of three new members of staff.

The annual report also detailed how the Internal Audit Section had "added value" to the Council's activities. Members were provided with information under the following headings.

- Audit Methodology
- Quality and Quantity Issues
- Audit Opinion Statement

With regard to the Audit Opinion Statement Members noted that the Council had

an adequate and effective internal control environment, upon which it could place reasonable reliance to deliver the systems, objectives or detect fraud or other malpractice within a reasonable period.

Additionally the following appendices were noted by Members:-

- A – Key Performance Indicators
- B – Operational Performance
- C – Details of Audits by Department
- D – Analysis of recommendations into priorities and categories by Department

RESOLVED that the Internal Audit Annual Report 2006/07 be noted.

**A  
6/08**      **Health and Safety Annual Report 2007/08**

Consideration was given to a report on the services and activities of the Health and Safety Unit in the 2007/2008 financial year.

The report covered the activities and projects undertaken by the Health and Safety Section during 2007/2008. Subject areas included:-

- i. Health and Safety Audit/Inspections
- ii. Sub-Contractor's Safety policy Appraisals
- iii. Construction Design and Management Regulations 2007
- iv. Tristar Homes Ltd, Decent Standard site
- v. Health and Safety Training
- vi. Involvement with external organisations
- vii. Staff Development
- viii. Reported Accidents
- ix. Reported Assaults
- x. Teesdale District council
- xi. Service Plan 08/09 and Outcomes 07/08.

A programme of planned cyclical health and safety audit / inspections was prepared and delivered, with follow-up reviews undertaken where necessary.

The plan was to undertake 194 premises audit/inspections. The number actually undertaken was 302. This represented an increase of 56% more than planned, due to additional support required, post incident investigation or various partnership arrangements the section are involved with.

The Section continued to work closely with all departments and partners. This was to ensure the health, safety and welfare arrangements of any sub-contractors who may undertake works on behalf of the Council were meeting appropriate health and safety management standards. The number of policies vetted over the period was 42, this represented an increase of 78% on the previous year (24)

The Construction (design and management ) Regulations 2007 came into force on the 6th April, 2007. These Regulations applied to all construction work integrating health and safety into the management of the project and imposed specific duties onto:-

- o Clients
- o CDM Co-ordinators
- o Designers
- o Principal and sub-contractors
- o Others involved with the project

The CDM Co-ordinator provided the Client with a key project advisor in respect of construction health and safety risk management and where necessary, prepare in consultation with several duty holders, a project specific health and safety file. This would be issued to the client on completion of the project.

In the reporting period 163 plans were prepared, this was an increase of 16% from the previous year.

The Health and Safety Unit continued to closely monitor the activities of Tristar Homes Ltd with particular regard to the Decent Standard refurbishments in collaboration with both Tristar and their partner organisations.

31 refurbishment site visits / inspections had been completed. 65 meetings with THL partners undertaken.

Training had been delivered to delegates from all departments using the Training Needs Analysis and operational requirements as the means to identify delegates. There were 61 courses programmed, of which 51 were delivered to a total of 749 delegates (Av of 14 per course). A further 55 bespoke health and safety training events were delivered to a total of 402 delegates. These were delivered to specific groups of employees or partner organisations including Darlington Borough Council, who for operational reasons could not be released to attend the planned courses. The team also delivered the health and safety element of the Corporate Induction to all new starters. Collectively, 1151 delegates attended 106 health and safety training events.

The Authority's Health and Safety Section continued to be members of:-

- o the Royal Society for the Prevention of Accidents
- o the Regional Employers' Organisation Health and Safety Group
- o the Durham & North Yorkshire Health and Safety Group
- o the Teesside Construction Health and Safety Group
- o Barbour safety, construction and environmental services.

The Health & Safety team continued to be the advisors to Tees Active Ltd and Teesdale District Council with a partnership arrangement whereby the team act as their competent health and safety advisors.

All members of the team undertake ongoing personal professional development to maintain competence. Two members of the team had additionally attained the NEBOSH Construction National General Certificate in January 2008 - a core criteria for the demonstration of competence for the Construction (design & management) Regulations 2007, CDM Co-ordinator's role.

The total number of accidents reported to the Section in the reporting period was 169. This compared with 154 for the same period last year and showed an

increase of 15. There was 1 'major' and 20 'minor' reportable accidents requiring reporting to the enforcing authority, the Health and Safety Executive. This compare to 0 'major' and 25 'minor' in the previous annual reporting period.

During the reporting period there had been an increase in physical assaults reported to the section, from 116 in the previous reporting period to 139.

Verbal assaults reported demonstrate a decrease from 74 in the previous reporting period to 71 in the current period.

The nature of Local Authority work meant employees had a much greater contact with the public than most other industries and as such, increased potential for assault. There continued to be an increasing amount of work in the community by departments over the reporting period, which by implication had increased the geographical size of the workplace, as well as the numbers of staff and the hazards and risks to which they are exposed. This being the case it is of paramount importance that this hazard, along with the identified safe systems of work, was always under review and revised as necessary. A major part of this was continuous training and re-training. The section delivered 8 Avoiding Violence courses to 112 employees over this reporting period.

The Health and Safety Unit continued to deliver competent Health and Safety assistance to Teesdale District Council, fulfilling their statutory obligations to obtain competent health and safety assistance as required under Reg 7 of the Management of Health and Safety at Work Regulations 1999. The Service was provided via a Service Level Agreement, incurring 47 days attendance at Teesdale during the reporting period.

A table outlining the proposed and achieved targets for the Section for the year was attached to the report.

RESOLVED that:-

1. The report be noted.
2. The proposed continuing course of action contained in the Health & Safety Service Plan 2008/09 at Appendix 4 be agreed.

**A  
7/08**

### **Audit Commission Annual Audit and Inspection Letter 2008**

Consideration was given to a report on the Audit Commission Annual Audit & Inspection Letter for 2008, (formerly the Management Letter).

The Audit Commission was responsible for arranging for the audit of the accounts of the Council (either by private firms or through their own auditors). They were also responsible for undertaking an annual Comprehensive Performance Assessment and other service inspections.

A formal stage in this process was the production of the "Annual Audit & Inspection Letter", formerly, the Management Letter. The Annual Audit & Inspection Letter for 2007/08 had been received and was attached to the report.

The Annual Audit Letter provided a comprehensive and independent

assessment of the "health" of the Council. In line with previous practice, a copy of the Annual Audit Letter would be sent to all Members of the Council.

A representative, from the Audit Commission, was in attendance to answer any questions raised by Members.

The Committee noted that the Council had been recognised by the Audit Commission as being amongst the best in the country and had achieved four stars and was improving strongly, which was the highest assessment possible.

Significant improvements in the Council's services had been achieved through a combination of excellent partnership working and a strong grip on delivery.

The Council had improved its use of resources in financial standing, internal control and value for money and was now one of only two Councils in the country who score at the highest level for all five themes.

During the year cross-cutting reviews on tackling arson and health inequalities were carried out by the Audit Commission. The work emphasised the importance of strong partnership working between organisations in order to tackle issues across Teesside and to narrow the gaps between the North East of England and other regions in the country.

Two areas of action needed by the Council had been identified. The first was a focus on areas of relative low capacity identified by the corporate assessment, for example services for older people, human resources, diversity and IT. The second area of action identified was that the Council with others narrow the gaps in health inequalities between the North East of England and other regions in the country.

Finally, the Commission thanked the Council for the positive and constructive approach it had taken toward the audit and inspection.

RESOLVED that the contents of the letter be noted.

**A**  
**8/08**

### **Review of Internal Audit Service**

Consideration be given to a report that provided details of a review of the Internal Audit Service for 2007/08.

Under the Accounts and Audit (Amendment) Regulations 2006 (Regulation 6) an in-house review of the Internal Audit service should be carried out each year. This year's review followed on from the review reported to the Audit Committee on 28 June 2007. It had likewise been conducted under the auspices of the Corporate Governance Group. Two members of the Group had reviewed evidence and undertaken appropriate interviews, in order to formulate a conclusion, findings and recommendations regarding the service.

The process for the review had involved the following:-

- detailed consideration of the previous review report, conclusion and recommendations;

- a further assessment of the service against CIPFA's Code of Practice for Internal Audit Checklist and a review of the evidence to support relevant outcomes within the checklist;
- an interview with the Chief Internal Auditor;
- a discussion with the Audit Commission's Audit Manager/representatives;
- the Use of Resources outcomes;
- views of Heads of Service (different to those involved in last year's review) whose services are reviewed on a year by year basis by Internal Audit.

The report set out the outcomes, findings and recommendations flowing from the review process.

Last year's review report conclusions and recommendations were considered in some detail.

Views on the specific recommendations made as a result of the last review were detailed within the report.

Attached to the report was a copy of the checklist, outcomes and evidence included with the last review report.

A number of specific elements of the checklist were explored in greater detail as part of this year's review. Details of the issues that were raised using the references in the checklist were outlined and attached to the report.

Satisfactory responses were received and levels of compliance were demonstrated in all cases. Certain recommendations did, however, arise and were detailed within the report.

The Chief Internal Auditor commented that further Internal Audit benchmarking should be undertaken with relevant Authorities to agree best practice guidelines and assess compliance against such guidelines. This was considered important and was, therefore, a further recommendation of this year's review.

Details were provided of a number of management satisfaction survey returns in respect of various audits undertaken in 2007/08. The vast majority of the scores and comments were extremely positive. It was confirmed that action had been taken to address the minimal number of cases where concerns had been expressed.

A meeting took place with the Audit Commission's Audit Manager/representatives regarding the service. It was clear from this that there was a close working relationship with the service and with the Chief Internal Auditor. The Audit Commission's Audit Manager/representatives indicated that they valued the service and its work; that they could rely on what the service does and that they considered it to be well run. It was confirmed that there were no issues of concern to the Audit Commission regarding the service. The absence of comment in the forthcoming Annual Audit letter would reflect



this view.

As part of the Comprehensive Performance Assessment 2007 results, the Council maintained the highest possible four star rating for the third consecutive year. This incorporated five four star Auditor judgements for the Use of Resources, which included a four for Internal Control. The Internal Audit service was a key feature of this high performance.

A sample of Heads of Service, where an audit of an area under their control had been audited in the last year, was surveyed seeking their views of compliance with the Code of Practice by Internal Audit. Areas covered in the survey included integrity, competence, objectivity, compliance, confidentiality, planning, approach and reporting of audit work. The responses received confirmed that the Audit Team complied with those parts of the Code and no areas of partial or non-compliance were identified.

The conclusion of the Officers who had undertaken the review was that the evidence and views received demonstrated that the Internal Audit Service had satisfactory and appropriate arrangements and procedures in place in order to be able to fulfil its duties and that it provided a valued and valuable service to the Council.

A number of relatively minor, but nevertheless important recommendations had arisen from the review and were referred to within the report.

RESOLVED that:-

1. The Internal Audit Strategy Document be reported to and considered by the Corporate Governance Group and thereafter the Audit Committee;
2. Subject to this, that the next annual internal review of the Internal Audit Service assesses performance against the critical success factors and statements of good practice set out in the Strategy Document;
3. The need for, and nature of any documentation regarding the channels of communication with Members and how the relationship should operate, be considered once the new Audit Committee is established following the Council's Annual Meeting on 2 April 2008;
4. Reference to compliance with the standards of the Code of Practice be included in the coming year's Internal Audit Annual Report; and that
5. Internal Audit arrange to undertake further benchmarking with appropriate Authorities to agree best practice guidelines and assess compliance with them.

**A  
9/08**

### **Corporate Governance Progress Report**

Members were updated on the current position of corporate governance issues initially identified in the report to you dated 20 September 2007.

Members were reminded that the Council had for some time embraced corporate governance. Back in 2002 Council agreed that the CIPFA/SOLACE

principles of governance should be adopted across the organisation. A self-assessment was undertaken and an action plan established. The Plan was monitored on a quarterly basis by the Standards Committee. All but a small number of actions had been implemented, those not had been superseded.

Since the introduction of the CIPFA/SOLACE guidance a number of similar documents had been produced by various agencies on aspects of governance. Officers had been kept abreast of these developments to ensure our approach remained current. A number of additional self-assessments had been undertaken as a result. The key documents were as follows:

- Code of Corporate Governance,
- Good Governance Key Line of Enquiry (KLOE),
- Statement on Internal Control,
- Use of resources KLOE,
- Performance management section of Corporate Assessment KLOE,
- Corporate Governance framework.

The original action plan, as reported on 20 September 2007, was based on the self assessments, linking all of the above together, and was attached to the report with updated information.

RESOLVED that the report be noted.