

Audit Committee

A meeting of Audit Committee was held on Monday, 12th May, 2008.

Present: Cllr Barry Woodhouse (Chairman); Cllr John Fletcher, Cllr Maurice Frankland, Cllr Miss Tina Large, Cllr Maurice Perry and Cllr Mick Womphrey.

Officers: P K Bell (LD); I Jones, B Simpson (R).

Also in attendance: C Andrew, L Snowball (District Audit).

Apologies: Cllr Mrs Kath Nelson, Cllr Ross Paterson and Cllr Mrs Sylvia Walmsley.

A Former Councillor Harry Davies

10/08

The Chairman informed Members that former Councillor Harry Davies had recently passed away. All Members and Officers stood in a minute's silence as a mark of respect.

A Declarations of Interest

11/08

There were no interests declared.

A Minutes

12/08

The minutes of the meeting held on 14th April 2008 were signed by the Chairman as a correct record.

A Internal Audit Proposed Annual Plan - 2008/09

13/08

Consideration was given to a report on the proposed annual audit plan for the financial year 2008/09.

Each year Internal Audit prepared a plan of work based upon a risk assessment of all the Council's activities. The risk assessment took into consideration the perceived qualities of management, staff, systems and the importance of the service. It was not possible to review all activities each year, therefore the Council's key systems were reviewed annually and the remainder of the significant areas of activity were reviewed at least once in a five-year period.

Corporate risk management assessments of Council wide risks and were compared and analysed.

Ideally, the 5-year plan would show work carried out in the previous two year's, the current year's work and plans for the next two years. Unfortunately the section was introducing a new corporate style of auditing that negated the loading of data from the old database into the new for comparison purposes. In addition there was a new section of the plan to accommodate services allocated to the new Stockton/ Darlington partnership. Members were therefore asked to accept that each year the plans be submitted for approval and audited by the Council's external auditors and, as the new database records build up and the new partnership settles in, the plans would return to the intended format.

The plan was attached to the report and had been discussed with the Corporate

Director of Resources (the 1972 Local Government Act section 151 officer), Service Groupings and the Audit Commission. Comments had been taken into account accordingly. As previously stated, the plans would not normally go more than two years into the future. Therefore, at this stage, plans for the third year onwards were merely an indication of what could be expected.

RESOLVED that the proposed planned work for 2008/09 be noted and accepted.

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14/08 **Role of Internal Audit**

Consideration was given to a report that outlined that in December 2006, a revised code of conduct was published on the standards to be expected from an Internal Audit service. A similar report to this was presented to last year's Audit Committee. The purpose of the report was to advise Members of the new Committee of the code, how the Internal Audit service complied with it and also to advise of the audit strategy. This would ensure the Committee could then discharge its responsibility to approve the role of the Internal Audit service.

Internal Audit was an assurance function that provided an independent and objective opinion to the organisation on risk management, control and governance by evaluating their effectiveness in achieving the organisation's objectives. It objectively examined, evaluated and reported on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

An effective Internal Audit service would:-

- understand its position in respect to the organisation's other sources of assurance and plan its work accordingly;
- understand the whole organisation, its needs and objectives;
- be seen as a catalyst for change at the heart of the organisation;
- add value and assist the organisation in achieving its objectives;
- be involved in service improvements and projects as they develop, working across internal and external boundaries to understand shared goals and individual obligations;
- be forward looking;
- be innovative and challenging; and,
- ensure the right resources are available.

Details of the Code and assessed compliance and Internal Audit Strategy Document were attached to the report. The Strategy Document was designed to show how the section recognised it's dual role of providing a service and helps achieve wider Council objectives.

RESOLVED that the purpose, authority and responsibility of Internal Audit as detailed in the report be noted and approved.

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15/08 **Annual Governance Statement 2007/08**

Consideration was given to a report that presented to Members the Council's Annual Governance Statement for 2007/08.

The Accounts and Audit (Amended) Regulations 2006 required all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and include an Annual Governance Statement within its Statement of Accounts. The deadline for completion of the Statement of Accounts for 2007/08 was 30th June 2008. The Statement of Accounts and the Annual Governance Statement would be presented for approval to this Committee on the 26th June, 2008.

A further requirement of the regulations stated that the Statement should be signed by the Chief Executive and the leading Member of the Council, following approval by the Committee. A key objective of this signing off process was to secure corporate ownership of the statement's contents.

The Annual Governance Statement included an acknowledgement of responsibility for ensuring that proper arrangements were in place around the governance of its affairs and an indication of the level of assurance that the system provided. The statement also included a description of the key elements forming the governance framework, a description of the process applied in reviewing the effectiveness of this framework, including the system of internal control, and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.

The Council's Annual Governance Statement for 2007/08 was attached to the report. At this time the Council had not identified any significant issues that were not being addressed within the Statement. Officers were present at the meeting and reported on the governance framework and control environment in place within the Council that enabled the detailed preparation of the statement. The Audit Commission, our external auditors, had been consulted on the process and the identification of key governance issues.

RESOLVED that the Annual Governance Statement for 2007/08 be noted.

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16/08 **External Audit Plan 2008/09**

Members considered a plan that set out the audit and inspection work that the District Auditor proposed to undertake in Stockton on Tees Borough Council during the 2008/2009 financial year. The plan was based on the Audit Commission's risk based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflected:-

* audit and inspection work specified by the Audit Commission for 2008/09;

* current national risks relevant to local circumstances; and

* local risks and improvement priorities

During 2008/09, the lead role of Relationship Manager would be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL would provide the focal point for the Commission's work in the local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission had become the statutory gatekeeper of all inspection activity involving local authorities.

As the audit for 2007/08 had not yet been completed the audit process for 2008/09, including risk assessment would continue as the year progressed and the information and fees in the plan would be kept under review and updated as necessary.

The Committee noted that the Commission targeted work where it would have the greatest effect, based upon assessment of risk and performance.

Members were provided with details of the fees to be charged by the Audit Commission. Details of the planned outputs of the Commission's work were also provided.

RESOLVED that the External Audit Plan be received.