

Audit Committee

A meeting of Audit Committee was held on Monday, 8th December, 2008.

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

Officers: I Jones, J Bell, D MacDonald (RES); C Andrew (Audit Commission); D E Bond, P K Bell (LD).

Also in attendance: No other person was in attendance.

Apologies: Cllr Maurice Frankland, Cllr Kath Mrs Nelson and Cllr Ross Patterson.

A 33/08 **Declarations of Interest**

Councillor Woodhouse declared a personal non prejudicial interest in respect of agenda item 6 - Internal Audit Progress Report as he was a School Governor at Oakdene School.

Councillor Fletcher declared a personal non prejudicial interest in respect of agenda item 6 - Internal Audit Progress Report as he was a Trustee of Teesside Emergency Relief Fund.

Mr D E Bond declared a personal non prejudicial interest in respect of agenda item 6 - Internal Audit Progress Report as he was a Trustee of Teesside Emergency Relief Fund.

A 34/08 **Minutes**

The minutes of the meeting held 29th September 2008 were signed by the Chairman as a correct record.

A 35/08 **Use of Resources - Report of the Audit Commission**

Mrs C 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 2008. 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 Annual Report of the Audit Committee

36/08

The Chartered Institute of Public Finance & Administration (CIPFA) stated that an effective Audit Committee would produce annual reports on its work and findings.

Members were presented with a report that informed members of the work of the Audit Committee during the past year and the sources of information upon which the enclosed Audit Committee opinion statement was based.

Members were reminded of the role of the Audit Committee which was:

- (a) Reviewing and monitoring the Council's approach to risk management and corporate governance including the approval of the Statement of Internal Control.
- (b) Monitoring the integrity of the Council's financial statements and approving the Statement of Accounts.
- (c) Reviewing any proposed changes to accounting policies and promoting discussion around these.
- (d) Considering budget reports and the effect of government announcements on the Council's finances.
- (e) Reviewing Financial Update reports identifying the impact on the Medium Term Financial Plan.
- (f) Approving the role and responsibilities of the Internal Audit Service.
- (g) Considering the appointment of the External Audit, as far as the Audit Commission's rules permit and monitoring the effectiveness of auditor's performance.
- (h) Approving the internal and external audit plans.
- (i) Reviewing Internal Audit work on a quarterly basis; internal and external

annual reports together with any management response and receiving details of specific significant issues highlighted via audit work and referring to the Executive Scrutiny Committee; the Select Committees; the Standards Committee; Cabinet or Council, as appropriate, any issues arising which were key in nature.

(j) In conjunction with the Standards Committee, maintaining an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and considering the Council's compliance with its own and other published standards and controls.

(k) Considering details of key ethical and wider corporate governance issues submitted by the Standards Committee.

The report covered the period from 1st October 2007 to 30th September 2008. As many other reports gave opinions or results at the end of the financial year, the timing of the report was to show that the review/appraisal of the control environment within the Council was on-going.

Although a new Audit Committee had operated since 1st April 2008, there had been a sufficient number of members who had been members of both committees to ensure a continuance of the review/appraisal process across the period of reporting.

The opinions of the Audit Committee expressed in the report were based on information supplied by the following specialist risk assessment services:-

- The Council's Monitoring officer,
- The Chief Accountant,
- The External and Internal Audit services,
- Health & Safety, and
- Risk Management and Insurance.
- A number of Corporate Governance reports.

The main thrust of all the specialist reports was to ensure risks were identified, managed appropriately and the resulting control environment was reliable. In receiving and challenging these reports the Audit Committee was well placed to form an independent over-view of the complete control environment.

The carry over of membership of the committee from the previous municipal year was sufficient to ensure work in progress was continued. To avoid the unsatisfactory possibility that Audit Committee members be required to report on a year of which they had no personal knowledge or experience (and therefore be reliant on the Officers upon whom they were supposed to exercise oversight), the previous Chair suggested that the Committee's report covered the work on the Authority's control environment for the year ending 30th September.

The members of the Committee had shown a strong commitment to the work for which they had been given responsibility and all meetings had been quorate despite the long term illness of one valued member, shorter periods of incapacity of the Chair and Vice Chair and of course the civic demands of the former Chair.

The members had studied agendas and asked searching questions of officers not only presenting reports but also those whose attendance was requested from other departments.

It was fortunate insofar as the make up of the Audit Committee membership was diverse not only geographically but also in experience and expertise. Members represented not only the North and South of the Borough but also the major conurbations and communities giving a broad spectrum of geographical and electoral knowledge.

This overview coupled with long serving members with experience of Cabinet and Charing Scrutiny Committees and members elected more recently indicated a searching and enquiring membership with a varied and extensive knowledge capable of ensuring sound and ethical governance.

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.

Ideally, the 5-year plan would show previous work carried out, the current year's work and an outline of the next two years. The introduction of a new corporate style of auditing would not permit the straightforward transfer of data from the old system into the new to be used as comparators.

Services needed to be allocated to the new Stockton/ Darlington partnership and the Governance thereof which also needed to be included in future plans. The Committee accepted that each year the plans were 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 prompt and robust implementation of the recommendations of External Audit had meant that the Department had once again received the highest accolades and the Council's gratitude must be extended to the staff.

The Annual Governance report which included only matters of governance interest had been received at the September meeting.

The capital entries in the financial statements were substantively tested and found that these entries had been made in line with the SORP.

There was a requirement to include an annual governance statement in the financial statements. The scope of this statement was wider than that previously covered by the statement of internal control.

The Council's annual governance statement had been reviewed and the systems in place to support it. There were sound arrangements in place to support the annual governance statement and there were no issues which External Audit wished to report to members.

Now that the Comprehensive Performance Assessment (which awarded the authority one of the highest possible ratings) was no longer a benchmark and made no external or internal recommendations worthy of note several areas of Governance must be closely monitored over the coming year. These areas had been highlighted in the Corporate Governance report presented to Audit Committee recently and were being acted upon.

The Committee looked at issues highlighted by the Self Assessment Checklist, contained in CIPFA's Toolkit for Local Authority Audit Committees.

Members were reminded that the Committee had expressed a number of concerns in connection with an audit of the Tristar Decent Standard Final Accounts. The Committee at its previous meeting, it had requested that the specific wording, contained in the Council's Management Agreement with Tristar, relating to the Council's ability to access information and request Tristar officers to attend Committees be looked at.

The Committee was provided with extracts and discussed relevant paragraphs of this agreement and Members were satisfied that the specific wording did provide the Council, and its Committees, with sufficient powers in this regard.

Members agreed that, when requesting that an officer attended a meeting, it was important that all Committees, as far as possible, identified specific officer(s), whether from the Council or a partner organisation.

As well as looking at the Internal Audit Report, Corporate Risk Register and the Health and Safety Report at each meeting the Committee had, and would continue to include in its deliberations and debates External Audit Updates, The Audit Commission Annual Governance Report 2007/08, The Corporate Governance Statement (including assurance framework), Constitutional Updates (as required), The Annual Report of Standards Committee and The Monitoring Officer's Report. And last the Role of Internal Audit.

Based on the knowledge, experience and advice available to the Audit Committee, in the Committee's opinion the Council had, at this point in time, a reasonably robust and effective system of controls and procedures in place to efficiently manage the services it provides.

RECOMMENDED to Council that it consider and note the Audit Committee's Annual Report for the year ended 30th September 2008.

A Internal Audit Progress Report

37/08

Consideration was given to a report that advised Members of the work carried out by the Internal Audit Section and the progress made during the quarter July to September 2008 against the current annual audit plan.

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 had been circulated to all Councillors prior to the meeting. The intention was to give Councillors the opportunity to raise questions on issues that affected their ward or other areas of responsibility and for answers to be provided at the meeting.

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

- * Key Performance Indicators.
- * List of audits undertaken, assessed level of assurance and number of recommendations made (Q2 - 2008/09).
- * Details of audits by Service Groupings (2008/09).

The Chief Internal Auditor 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 :-

- * Oakdene Primary School
- * Data Protection/RIPA/FOI
- * Officer Payments/Travel and Subsistence/Car Loans

Members requested that Officers look into the possibility of providing further information on criminal damage.

RESOLVED that the report be noted.

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38/08** **Codes of Conduct for Local Authority Members and Employees - A
Consultation**

Consideration was given to a report that provided details of, and invited views on the above consultation paper published on the Communities and Local Government website on 1 October 2008. The paper set out proposals for revising the current Code of Conduct for local authority members, the General Principles of Conduct and for the introduction of a model code of conduct for local government employees.

Members were reminded that the Local Government and Public Involvement in Health Act 2007 had introduced new arrangements and a more locally based conduct regime, including a new model code of conduct for local authority members.

A recent White Paper – Communities in Control: Real people, real power sought to build on those new arrangements. Members considered a copy extract of a consultation paper, issued by the Department of Communities and Local Government, and were asked to provide views on proposals:-

- * revising the current model code of conduct for local authority members;
- * regarding associated changes to the general principles of conduct; and on proposals;
- * for a new statutory model code of conduct for local government employees.

Members were provided with a summary of proposed changes to the current code and General Principles of Conduct. Details of proposals for the introduction of a model code of conduct, for local government employees were also provided.

The Department for Communities and Local Government had requested views on the consultation paper by 24th December 2008.

It was explained that the Standards Committee had considered the consultation paper and a summary of its views was provided. The Human Resources Strategy Group (HRSG) had also considered the paper. The Group's views were consistent with the Standards Committee's, save as regards questions 17, 18, 21 and 22 of the paper. Details of HRSG's comments on these questions were provided to Members. It was agreed that the views expressed by the group on questions 18, 21 and 22 should be incorporated into the response, but that as regards question 17 the selection of "qualifying employees" should be based on the political restriction model, rather than on the delegation model as suggested by HRSG.

Cabinet considered the paper at its meeting on 4th December 2008 and its views were consistent with the views of the Standards Committee.

As the consultation period was due to expire on 24th December 2008, it would not be possible to await full Council's consideration of Cabinet's comments. It had therefore been agreed to forward an appropriate response to the consultation prior to the deadline, making it clear however that further comments may arise from the Council meeting on 21st January 2009.

The Government was minded, subject to the consultation responses, to implement the proposals so that they become effective for the purposes of the 2009 local government elections.

RESOLVED that the Committee's comments be formulated into the response to the specific consultation issues and the agreed responses be submitted to CLG before the consultation response deadline.

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39/08 Corporate Risk Register Progress Report - Quarter 2 2008/09 - Period Ending 30th September 2008**

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 2008. 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:-

* Delivery of the Local Area Agreement and achievement of the associated targets over the period of the LAA i.e. 2008 - 2011

Members also noted the risks had moved below the corporate reporting threshold and had therefore been deleted from the register. The remaining changes were of minor nature and confined to routine updates of the general management information for individual risks, and to the latest reordering of entries in the register.

The Committee was informed that the total number of significant risks in the Corporate Risk Register had reduced from 17 at the end of June 2008 to 16 at the end of the current Quarter.

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.

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40/08 **Health and Safety Report**

Members considered a report that provided accident, assault and training statistics for the period July to September 2008.

It was explained that 10 training sessions had been delivered in this quarter, to a total of 181 delegates. There were 10 additional bespoke courses delivered within departments.

There had been 135 Back Care referrals received in the quarter, along with 210 Sickness Absence referrals, 83 New Physio appointments, 456 Physio Review appointments, 66 Work Place assessments and 8 Return to Work / Occupational Health Assessments.

Accidents reported to the Health & Safety Unit this period were 42. This compared with 45 over the same period last year and with 95 in the previous reporting period.

Physical Assaults reported to the Health & Safety Unit this period were 27. This compared with 22 over the same period last year and with 77 in the previous reporting period.

Verbal Assaults reported to the Health & Safety Unit this period were 27. This compared with 20 over the same period last year and with 29 in the previous reporting period.

The number of premises subjected to a health, safety and welfare audit during this period totalled 59.

The number of recommendations provided within this period to ensure a satisfactory standard of health and safety management safeguards was 146.

The number of Pre-Tender Construction health and safety packs produced during this period was 11.

During the ongoing monitoring and reviewing of the decent standards improvement schemes a total of 8 audits were undertaken with 10 recommendations issued to Tristar Homes Ltd.

The number of Health and Safety Policies, including risk assessments and method statements vetted on behalf of Services as part of their selection and procurement process was 11.

Stockton on Tees Borough Council provided Teesdale District Council's health and safety advisory provision via a Service Level Agreement. Work continued with Managers and Members to improve their safety management safeguards in preparation for Local Government Re-organisation. The number of days in attendance at Teesdale District Council was 14.5.

The Health and Safety Unit appraised the safety management safeguards of 80 educational visits on behalf of schools, including domestic residential field trips and foreign visits. During this period, a total of 47 domestic and 33 foreign visits involving a total of 2189 pupils were audited on the adequacy of their safety management safeguards.

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

RESOLVED that the report be noted.