

## **Audit Committee**

A meeting of Audit Committee was held on Tuesday, 14th April, 2009.

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

**Officers:** L King (CE); M Henderson (LD); D Benomran, G Cummings, I Jones (R); C Andrew (Audit Commission).

**Also in attendance:** No other person was in attendance.

**Apologies:** Cllr Lynne Apedaile, Cllr Kath Nelson and Cllr Ross Patterson.

### **A       Declarations of Interest**

**1/09**

Cllr Perry declared a personal non prejudicial interest in item 4 'Internal Audit - Annual Report 2008 -09 - Appendix E' as he had a connection with a club operated from Ropner Park.

Cllr Fletcher declared a personal non prejudicial interest in item 6 - Health and Safety Annual Report 2008/09 as his wife had received treatment from the Wellbeing Team.

### **A       Audit Commission Annual Audit and Inspection Letter 2009**

**2/09**

Consideration was given to a report on the Audit Committee the Audit Commission Annual Audit & Inspection Letter for 2009, (formerly the Management Letter).

Cath Andrew, Audit Manager, was present at the meeting and presented the audit letter to the Committee.

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 provided to members.

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.

The Audit Commission considered that Stockton on Tees Borough Council was improving well and was classified as 4 stars for its current level of performance. Audit and Inspection findings showed continued improvements in performance in the majority of its services, with effective contributions to the wider community outcomes being delivered in partnership.

The Audit Commission had issued an unqualified audit opinion on the Council

for 2007/08, with arrangements in place to ensure that the effective use of resources remained strong.

The Commission considered that the Council had taken early steps to monitor the changing environment in relation to the recent economic downturn and put measures in place to minimize the impact as far as possible.

The annual audit and inspection letter detailed results and comments from service inspections and audit work undertaken with good overall performance across most priority areas. However the Commission considered that the council needed to:

- \* Ensure a year round focus on the effectiveness of plans in place to address areas of improvement identified in the 2008 annual performance assessment of services for children and young people.
- \* Continue to work in partnership locally and across the Tees Valley and wider region to minimize the risks imposed by the economic downturn.
- \* Continue to work in partnership to ensure that the quality of information from partners is subject to the same quality assurance arrangements as that produced internally.

Members noted that, in the future, the Commission would, together with other public service inspectorates, operate under the new Comprehensive Area Assessment (CAA) framework. The CAA would provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there.

RESOLVED that the contents of the Audit Commission Annual Audit and Inspection Letter be noted.

**A  
3/09**

### **Internal Audit - Annual Report 2008-09**

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:-

- 96% of planned work achieved (target - 93%) plus an additional 24 ad-hoc (investigation) audits were undertaken.
- 29 primary schools awarded FMSiS accreditation;
- 100% acceptance of audit recommendations;
- Satisfactory management satisfaction survey ratings (88.9%);
- Satisfactory annual report from the External Auditor;
- ISO9001 (2000 standard) accreditation retained;

An important feature of the internal audit service was the quarterly reporting to all members of the audits undertaken. Questions were invited to be submitted via this Committee. The introduction of the Xentrall partnership had led to quarterly Internal Audit reports being submitted to Darlington Borough Council's (DBC) Audit Committee on the services provided to DBC by Xentrall.

Significant activities during the year were;

- All significant services of the Authority were reviewed to the point of providing evidence to support the Audit Opinion Statement.
- Two extensive reviews of the internal audit service had been undertaken by the Audit Commission and a panel of peers. No significant issues on the quality of the service were raised in either report. There was also an annual re-accreditation process for the ISO 9001:2000 standard.
- The THL internal audit contract had been retained for another three years.
- The section also produced a significant part of the Council's Anti Fraud and Corruption Procedures. There were five manuals in use that had been updated during the year;
- A Corporate Anti-Fraud and Corruption Strategy,
- A Fraud Response Plan,
- A Fraud Investigation Plan, and,
- An Employee's Whistleblowing policy.
- A Public Whistleblowing policy.

The appendices attached to the report showed details of the Section's performance in the following areas.

Appendix A - Key Performance Indicators

Appendix B - Operational Performance

Appendix C - Details of Audits by Department

Appendix D - Analysis of recommendations into priorities and categories by Department

Appendix E showed the performance during the final quarter of the year.

Appendix F - The external auditors' inspection recommended a revised strategy document and an improved process for checking on the implementation of recommendations.

The peer review also recommended a revised strategy document.

No issues arose on the quality or reliability of the audit service provided.

The annual ISO 9001:2000 re-accreditation was again achieved.

The Council had a responsibility for maintaining sound systems of internal

control that support the achieving of its objectives and for reviewing their effectiveness. From the evidence of work undertaken, Internal Audit was required to provide an opinion on whether these systems were adequately and properly applied.

The system of internal control was based on a risk assessment and management process designed to identify the principal risks to the achieving of Council objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. It was designed to manage rather than eliminate the risk of failure in achieving the Council's objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness in its ability to deliver its objectives or detect fraud or other malpractice within a reasonable period of time.

The process was underpinned by complying with the core assurance standards of:

- Corporate Governance,
- Financial management,
- Risk management, and
- Openness and transparency.

In the opinion of Internal Audit, from the audit work undertaken, the Council had an adequate and, overall, an 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 of time. However, some new core systems and procedures introduced within the Council needed a little more time to become embedded.

With regard to Appendix E members were provided with specific details of recommendations relating to a number of audits undertaken. These were:-

- Development - SMI Partnership
- Adhoc - Friends of Ropner Park
- Adhoc - Young Persons Substance Misuse Commissioning Group - Partnership
- Procurement and Contract Monitoring
- Grants

Members asked officers a number of questions about these particular audits and felt no further action was required at this time.

It was explained that Internal audit would be following up all three star agreements and a percentage of 2 star agreements to ensure they had been implemented adequately.

Members noted that schools would be expected to report back to

RESOLVED that the Internal Audit Annual Report 2008-09 be noted and the Internal Audit Strategy (Appendix F) be approved.

**A**  
**4/09**

## **Internal Audit - Proposed Annual Audit Plan 2009-10**

Consideration was given to a report on the the proposed Annual Audit Plan for the coming financial year 2009/10.

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 Internal Audits 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. Due to the introduction of a new auditing database and the corporate auditing process, the plan only showed one previous year's work at present.

In addition the section of the plan to accommodate services allocated to the new Stockton/ Darlington partnership showed a number of audits split between the two Councils. This was to reflect the fact that there were, at present, a number of different procedures in place for each Council and the implications this could have to the outputs for each.

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. At this stage, plans for the year 2010/11 and onwards were merely an indication of what can be expected.

A total of 55 days work was included to cover work to be undertaken for Tristar Homes Ltd where Internal Audit again secured the internal audit service contract. There were additional benefits here due to the synergies to both the Council and Tristar Homes Limited in the one audit service looking at the housing partnership working from both perspectives. However, this did raise the possibility of conflicts of interest for the audit service that was being closely monitored. The over-riding factor was Tristar Homes Limited being a wholly owned subsidiary of the Council.

Member noted that the audit plan did not include an audit of issues/expenditure surrounding the Building Schools for the Future programme.

It was agreed that some time should be identified for an ad hoc Building Schools for the Future Management Audit.

RESOLVED the proposed planned work for 2009/10 be noted and accepted subject to the inclusion of a Building Schools for the Future Management Audit.

**A**

## **Health and Safety Annual Report 2008-09**

5/09

Consideration was given to a report that detailed the services and activity of the Health and Safety Unit in the financial year 2008/2009.

The report covers the activities and projects undertaken by the Health and Safety Section during 2008/2009. Subject areas included:-

- \* Health and Safety Audits/Inspections
- \* Sub-Contractors safety policy appraisals
- \* Construction Design and Management Regulations 2007
- \* Tristar Homes Ltd, Decent Standards site inspections
- \* Corporate Health and Safety Training
- \* The Well-being Team
- \* The Health and Well-being Strategy 2008 - 2011
- \* Educational Visits Adviser – School's residential adventure activities appraisals.
- \* Statutory Framework for Early Years Provision
- \* Involvement with external organisations
- \* Continuous Professional Development
- \* Reported Accidents
- \* Reported Assaults
- \* Employee Protection Register
- \* Teesdale District Council – provision of safety services
- \* Service Plan 2009/2010

During consideration of the report members noted:-

- that Notifiable accidents included members of the public injured as a result of an accident on Council premises.
- details of Health and Safety's involvement in controlling exposure to vibrating equipment.
- the Council's Intranet included a self assessment to assist employees with their seating position and desk/computer physical set up.

RESOLVED that Health and Safety Annual Report 2008/09 be noted.

**A**  
**6/09**

**Audit Committee Terms of Reference and Proposed Work Programme 2009-10**

Consideration was given to a report on the Terms of Reference of the Audit Committee and the proposed Work Programme for the Committee for 2009/10.

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. Details were attached to the report for information. At its meeting in January, Council also approved a Statement of Purpose for the committee:-

"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."

Members were asked to consider and approve a work programme for the coming year. A proposed work programme for 2009/10 was attached to the report for consideration.

RESOLVED that:-

1. The Committee's Terms of Reference and Statement of Purpose be noted.
2. The proposed work programme for 2009/10 be approved.