

# Audit Committee

A meeting of Audit Committee was held on Monday, 12th April, 2010.

**Present:** Cllr Mick Womphrey (In the Chair-Item 6 onwards), Cllr John Fletcher, Cllr Maurice Perry and Cllr Mrs Sylvia Walmsley.

**Officers:** L.Stephenson, (DNS); D.E.Bond, N.Hart (LD); P.Johnston, I.Jones, D.MacDonald,(RES)C.Andrew (Audit Commission).

**Also in attendance:** F.Hayes (Chair of Standards Committee).

**Apologies:** were submitted on behalf of Cllrs Mrs Apedaile and Woodhouse.

## **A Appointment of Chairman**

**1/10**

In the absence of both the Chairman and Vice Chairman at the commencement of the meeting, nominations were invited for the role of Chairman.

RESOLVED that in the absence of both the Chairman and Vice Chairman at the commencement of the meeting, Councillor Fletcher be appointed Chairman for this meeting.

## **A Declarations of Interest**

**2/10**

There were no Declarations of Interest declared.

## **A Audit Commission Progress Report**

**3/10**

Consideration was given to the Audit Commission Progress Report for 2009/2010.

It was noted that the Audit Commission had reviewed their initial risk assessment to update their opinion plan and had carried out walk through testing of the significant financial systems. The 2009/10 Audit Opinion Plan was to be discussed later on this agenda. Discussions had been held with relevant officers regarding the Use of Resources assessment for the same period, and a gap analysis and work plan had been prepared for each of the key lines of enquiry. With the majority of work completed to inform judgements, it was intended that indicative scores would be submitted on the 21st April 2010.

Members were advised of Audit Commission national reports since the last meeting, as well as Codes of Audit Practice and a briefing on financial reporting by local government bodies.

RESOLVED that the content of the Audit Commission Progress Report be noted.

## **A Audit Commission Certification of Claims and Returns Annual Report 2008/09**

**4/10**

Consideration was given to the Audit Commission's Certification of Claims and Returns Annual Report 2008/2009.

Funding from Government grant-paying departments was an important income stream for the Council and therefore the Council was required to demonstrate that it complied with the conditions attached to such grants. In 2008/2009, the Audit Commission certified 11 claims with a total value of £171 million, the details of which were submitted.

The findings revealed that the Council continued to have good arrangements in place overall to ensure that grant claims were correctly completed and supported with comprehensive working papers. A new more detailed approach to the audit of Housing and Council Tax Benefit however identified a number of areas with errors in specific cases and additional testing had to be carried out and a qualification report was necessary. In addition, minor errors were found and corrected in the housing subsidy claim, as well as an error in the previously certified housing subsidy base data return, with the claim being subsequently amended and rectified. An Action Plan with a proposed recommendation was submitted and the action agreed by officers.

RESOLVED that the content of the Audit Commission Certification of Claims and Returns Annual Report be noted.

**A  
5/10**

### **Audit Commission Audit Opinion Plan 2009/2010**

(Councillor Womphrey was in attendance at the meeting for this item onwards and therefore was invited to take the role of Chairman for the remainder of this meeting. Councillor Womphrey in the Chair.)

Consideration was given to the Audit Commission Audit Opinion Plan for 2009/10, which set out the audit work proposed to be undertaken for the audit of financial statements 2009/2010 and reflected current national risks relevant to local circumstances and the Council's own local risks.

The fee for the audit was £292,410 with the basis for this provided, and specific risks that were to be taken into account during the audit work were noted.

RESOLVED that the Audit Commission Audit Opinion Plan for 2009/10 be noted.

**A  
6/10**

### **Internal Audit Annual Report 2009/10**

Consideration was given to the Internal Audit Annual Report for 2009/2010.

It was noted that during the same year the Council had been assessed as one of the top three councils in the country for its use of resources, which revealed that the Council was efficient, effective and gave value for money in delivering quality services.

The section's performance for 2009/10 was summarized as follows:

- 97% of the original planned work achieved (target - 93%, with a total of 161 audits completed). Four audits were cancelled for various reasons but this was more than offset by an additional 31 audits that were either additional work asked for or investigations.

- 9 schools awarded FMSiS accreditation. All schools had now been through the process. 10 re-accredited. Unfortunately, there were 2 schools that did not achieve the re-accreditation status (Egglescliffe and St Patrick's) and one in special measures (Thornaby Community School) that was not assessed.

- 99.9% acceptance of audit recommendations. One not agreed in the HV&E service;

- Satisfactory management satisfaction survey ratings (89%);

- Satisfactory annual report from the External Auditor;

- ISO9001 (2008 standard) accreditation attained.

Members made reference to the specific recommendation not agreed to within the Heating, Ventilation and Maintenance audit and were advised by the Chief Internal Auditor that this specific recommendation related to the recording of journeys undertaken by Council vehicles. Members were anxious to ensure that steps should be taken to limit occasions when Council vehicles were parked at the homes of employees; as referenced during a recent scrutiny review into parking on pavements, and it was noted that this issue would be monitored alongside the success of a new IT system being introduced to log all vehicle movements.

RESOLVED that the Internal Audit Annual Report for 2009/2010, be approved.

**A  
7/10**

### **Internal Audit Proposed Annual Audit Plan 2010/11**

Members were advised of the proposed annual audit plan for 2010/11. Each year Internal Audit prepares a plan of work based upon a risk assessment of all the Council's activities. The risk assessment takes 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 our own were compared and analysed.

The 5-year plan identified work carried out in the previous two year's, the proposed coming year's work and an indication of the plans for the next two years. In addition the section of the plan to accommodate services allocated to the Xentrall Stockton/ Darlington partnership, showed a number of audits split between the two Councils. This was to reflect the fact that there were separate systems that required separate reporting.

The plan had been discussed with the Corporate Director of Resources (the 1972 Local Government Act section 151 officer), Service Groupings and the Audit Commission and comments had been taken into account accordingly. At this stage, plans for the year 2011/12 and onwards were merely an indication of what could be expected.

A total of 70 days was included to cover work to be undertaken for Tristar Homes Ltd (THL) where the Council were the appointed internal audit service.

A contingency of 15 days had been added for work that had as yet to be agreed in detail. There were additional benefits due to the synergies to both the Council and THL 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. Members requested further detail regarding the extent of audit work undertaken with regard to Choice Based Lettings.

RESOLVED that:-

- 1.The proposed planned work for 2010/11 be noted and accepted.
- 2.Members of the Committee be provided with further detail regarding the extent of audit work undertaken with regard to Choice Based Lettings.

**A  
8/10**

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

Under the Accounts and Audit (Amendment) Regulations 2006 an internal review of the Internal Audit service should be carried out each year. Consideration was given to the fourth such review, which had again been conducted under the auspices of the Corporate Governance Group. Two members of the Group had reviewed evidence and had formulated conclusions, findings and recommendations regarding the service, the details of which were submitted.

The process of the review had involved the following:-

- detailed consideration of the previous report, conclusions and recommendations
- a review of the 2009/10 Internal Audit Strategy Compliance Evidence report
- a review of benchmarking data
- a further assessment of the service against CIPFA's Code of Practice for Internal Audit Checklist and a review of evidence to support relevant outcomes within the checklist
- an interview with the Chief Internal Auditor
- consideration of the Audit Commission Review of Internal Audit and the Annual Governance Report
- customer feedback information.

The conclusion of the Officers undertaking this 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 fulfil its duties and that it had continued to build on its performance and reputation. There was only one matter that had arisen from this review which justified a specific recommendation and that concerned the audit strategy and the need to ensure that it is reviewed and, if appropriate, revised on a regular basis.

RESOLVED that evidence of compliance with the audit strategy be updated as and when required, and that the strategy document be reviewed and, if appropriate, revised ahead of each three yearly review of the service by the Audit Commission.

**A  
9/10**

## **Annual Report of the Standards Committee 2009/10**

Consideration was given to a report that provided Members with details of the Standards Committee's Annual Report for 2009/10. The report was presented by the Chair of the Standards Committee and by the Monitoring Officer.

The production of annual reports was an important part of the Council's performance monitoring, reporting and planning procedures. The report had been agreed by all Standards Committee members and its purpose was not only to provide an overview of the work of the Committee in the past year, but also to identify and promote examples of best practice and to provide an opportunity to review and learn from experience. The report set out the Committee's Statutory responsibilities, summarised how they had changed during the year and how they had been discharged and drew attention to some of the main issues that would require attention in the year ahead.

Members of the Audit Committee were asked to consider and receive the report, which would also be presented to Cabinet/Council.

Consultation on the report had also taken place with the relevant Cabinet Member; the Head of Legal Services as Deputy Monitoring Officer; the Head of Democratic Services; the Corporate Governance Group (which includes the Corporate Director of Resources and the Chief Internal Auditor) and the Corporate Management Team. Once agreed the report would be placed on the intranet and the internet.

RESOLVED that the Standards Committee Annual Report be received.

**A  
10/10**

## **The Monitoring Officer's Annual Report 2009/10**

Consideration was given to a report that provided the Members with details of the Monitoring Officer's Annual Report for 2009/10. The report had been considered and accepted by the Standards Committee.

The production of annual reports was an important part of the Council's performance monitoring, reporting and planning procedures. Monitoring, planning and reviewing the work of the Monitoring Officer should equally therefore include an annual reporting process as best practice.

The report had been considered and accepted by the Standards Committee and provided an overview of the work of the Monitoring Officer in the past year, to identify and promote examples of best practice and to provide an opportunity to review and learn from experience. The report outlined the Monitoring Officer's Statutory responsibilities, summarised how they had changed during the year and how they had been discharged and drew attention to some of the main issues that would require attention in the year ahead.

The report would also be submitted to Cabinet and Cabinet would be asked to consider the report, provide any comments it wished to make on its content and to recommend it to full Council for acceptance.

Consultation on the Report had also taken place with the relevant Cabinet Member; the Head of Legal Services as Deputy Monitoring Officer; the Head of Democratic Services; the Corporate Governance Group (which included the Corporate Director of Resources and the Chief Internal Auditor) and the Corporate Management Team. Once agreed the report would also be placed on the intranet and the internet.

RESOLVED that the Monitoring Officer's Annual Report for 2009/2010 be received.

**A**      **Annual Health and safety Report 2009/10**

**11/10**

Consideration was given to a report that detailed the services and activity of the Health and Safety Unit in the financial year 2009/2010.

The report covered the activities and projects undertaken by the Health and Safety Section during 2009/2010. Subject areas included:-

- 1.Improvements Made To The Workplace Control Environment
- 2.Health, Safety and Well-being Policy Revision
- 3.Health and Safety Audits / Inspections
- 4.Community Managed Community Centres
- 5.Sub-Contractors safety policy appraisals
- 6.Construction Design and Management Regulations 2007
- 7.Tristar Homes Ltd, Decent Standards site inspections
- 8.Raising Workforce Competence
- 9.The Health and Well-being Strategy 2008 – 2011
- 10.The Well-being initiatives delivered
- 11.Educational Visits Adviser – School's residential adventure activities appraisals.
- 12.Event Safety Management
- 13.Involvement With External Organisations
- 14.Continuous Professional Development
- 15.Reported Accidents
- 16.Reported Assaults
- 17.Tristar Homes Ltd
- 18.Employee Protection Register
- 19.Improvements made
- 20.Opportunities for further improvement
- 21.Service Plan 2010 / 2011

RESOLVED that the Annual Health and Safety Report for 2009/2010 be noted.

**A**      **Terms of Reference and Work Programme 2010/11**

**12/10**

Consideration was given to a report on the Terms of Reference of the Audit Committee and the proposed Work Programme for the Committee for 2010/11.

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 2010/11 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 2010/11 be approved.