

Audit Committee

A meeting of Audit Committee was held on Monday, 6th December, 2010.

Present: Cllr Barry Woodhouse (Chairman); Cllr John Fletcher and Cllr Maurice Perry.

Officers: I Jones, J Bell, D MacDonald, S Winship (R); D E Bond, P K Bell (LD).

Also in attendance: C Andrew (Audit Commission).

Apologies: Cllr Mrs Lynne Apedaile, Cllr Maurice Frankland, Cllr Mrs Kath Nelson, Cllr Ross Patterson and Cllr Mrs Sylvia Mrs Walmsley.

A **Declarations of Interest**

37/10

There were no interests declared.

A **Minutes**

38/10

The minutes of the meetings held on 23rd August 2010 and 27th September 2010 were signed by the Chairman as a correct record.

A **Audit Commission Progress Report 2010/11**

39/10

Members were presented with a report on the progress on the audit to date. The update also highlighted key emerging national issues and developments.

The opinion and value for money work on the 2009/10 audit had been completed.

The Audit Commission were finishing the grant claims audit and would summarise and report the results to the February 2011 Audit Committee meeting.

The Audit Commission recently published two reports on the quality of the work of its appointed auditors in 2009/10:-

* The

<http://www.audit-commission.gov.uk/sitecollectiondocuments/downloads/20101012AuditQualityReview.pdf> Quality Review Programme Annual Report 2010 (AC external website) summarised the Commission's quality review of the Audit Practice's work. It also looked at the work of firms appointed by the Commission to audit local government and NHS bodies.

* The second was the Audit Practice Annual Quality Report 2009/10 (AC external website). The report summarised the quality review of the Commission's own staff as auditors to local government and NHS bodies. It included the views of the Audit Inspection Unit which carried out an independent review of the Commission's work.

The reports were of particular interest to Audit Committees as part of their ongoing role in ensuring the effectiveness of external audit arrangements.

The fee planning letter had been discussed with officers and the audit fee agreed with the Corporate Director of Resources. It was presented to the Audit Committee in May 2010.

In the next month the Audit Commission would be revisiting their risk assessments and drafting their opinion audit plans.

As in previous years, part of the risk assessments would involve asking those charged with governance and management about arrangements in place for:-

- * preventing and detecting fraud;
- * ensuring the legality of transactions and identifying potential litigation;
- * adopting the going concern principal for the accounts; and
- * related party relationships and transactions.

The Audit Commission would write to the Audit Committee Chair and the Corporate Director of Resources to confirm their understanding of the arrangements in place.

The Audit Commission planned to complete the interim systems planning work (walk through tests) by the end of December 2010 with the remaining systems testing to be completed by March 2011.

The Audit Commission had reviewed the approach to the value for money conclusion and had confirmed two criteria to be assessed:-

- * the organisation had proper arrangements in place for securing financial resilience; and
- * the organisation had proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The Audit Commission would consider whether there were robust financial systems and processes to effectively manage financial risks and opportunities and how resources were being prioritised within tighter budgets.

The Audit Commission would undertake risk based work to support their assessment of the arrangements in place where necessary. National tools were being prepared to support risk based work on the administration costs of revenues and benefits and efficiency of back office functions. In addition, update briefings for previous national studies were also being prepared on strategic asset management and maximising the benefits of local public service charges.

The report also detailed other developments including Audit Commission national reports and other publications.

Members considered the report and asked a number of questions for clarification.

RESOLVED that the report be noted.

**A
40/10**

Audit Commission Annual Audit Letter 2009/10

Consideration was given to a report that summarised the Audit Commissions findings from the 2009/10 audit. The audit comprised two elements:-

- * the audit of the Council's financial statements; and
- * the assessment of the Council's arrangements to achieve value for money in

its use of resources

The Audit Commission had issued an unqualified opinion on the Council's financial statements on 27th September 2010.

The Council prepared the financial statements in time for the statutory deadline of 30th June with comprehensive and accurate electronic working papers provided to support the accounts. A number of errors had been identified in the accounts, most of which were amended by the Council.

Based on the use of resources work and risk based work, the Audit Commission had issued an unqualified value for money conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Council had had to respond rapidly to reductions in capital and revenue for 2010/11 and beyond, for example the cancellation of the Building Schools for the Future programme had resulted in the loss of funding of £180 million. There were likely to be more reductions in funding over the next four years for revenue and capital grants. The Government had also set out its ambition to promote the radical devolution of power and greater financial autonomy to local government and community groups, including a review of local government finance in 2011, publishing its findings in 2012.

Strengths in the Council's arrangements would help it to respond to these major operational and financial challenges in 2010/11 and beyond. The Council had a history of strong financial management and was in a good financial position. The Council had responded to in-year funding reductions and changes in the economic climate by revising the medium term financial plan and increasing the Efficiency, Improvement and Transformation programme.

The Council's approach to improving value for money was supported by strong procurement, risk management, internal control and governance arrangements. This provided the framework for the organisation as a whole to review services provided and take decisions about future changes as part of a structured approach.

Members considered the report and asked a number of questions for clarification.

RESOLVED that the report be noted.

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41/10 **Health and Safety Report**

Consideration was given to a report on the activity of the Health and Safety Unit for the period 1st July to the 30th September 2010

The significant activity of the Health and Safety and the Well-being team was outlined, including partner and stakeholder involvement:-

1. Health and Safety training
2. Health and Well-being Update
3. Accidents Reported

4. Physical Assaults Reported
5. Verbal Assaults Reported
6. Premises Audited
7. Construction (design and management) Regulations 2007 (CDM)
8. Decent Standard Site Inspections
9. Educational residential visits vetted
10. Employee Protection Register Activity
11. Accident Reporting Arrangements for Members

With regard Health & Safety Training 7 programmed training sessions were delivered to a total of 75 delegates, and 7 further bespoke courses delivered within departments to a total of 94 delegates. Further details were attached to the report.

The activity of the Wellbeing Team was detailed within the report.

With regard Better Health at Work Award, the portfolio was ready for the assessors who would be visiting on December 14th 2010. The assessors would also want to visit some premises and speak to employees.

A total of 119 referrals were received to the Back Care Programme, from all departments within the Council and partners, requesting an assessment of an employee's workplace and / or physiotherapy or podiatry treatment.

25 employees had been recruited to become workplace health advocates within the workplace. The Health Advocates received an initial half days training and then met on a quarterly basis for awareness raising sessions about forthcoming events and campaigns. The health advocates had also started to run their own events within the workplace for example:- healthy fruit and vegetable delivery scheme, fruit honesty bowls to replace the unhealthy "tuck box" and also, lunchtime health walks.

The annual programme of health promotion events for 2010 – 2011 continued with the following:-

August - Workplace health checks

September - Migraine awareness week. Know your numbers week.

Oct - Breast cancer month. World Mental Health day (10th).

Nov - World Diabetes day (14th)

Dec - World Aids Day.

Following numerous requests from employees a 9 week course of lunchtime Salsa classes were being held at Stockton Central Library.

Three Mental Health First Aid courses with another being run in November. These courses equipped employees with the necessary skills and knowledge on mental wellbeing in order that they could offer support to colleagues/clients within the workplace whose may be experiencing mental ill health. In England, there were on average 1000 people being trained up in the area each month, this was following a hugely successful campaign in Scotland. A formal presentation had been arranged for December 2nd with Councillor Laing at Stockton Library.

Accidents reported to the Health & Safety Unit during the period were 30. This compared with 30 over the same period last year and with 44 in the previous reporting (quarter) period.

Physical Assaults reported to the Health & Safety Unit this period were 6. This compared with 15 over the same period last year and with 30 in the previous reporting (quarter) period.

Verbal Assaults reported to the Health & Safety Unit this period were 16. This compared with 12 over the same period last year and with 21 in the previous reporting (quarter) period.

The number of premises subjected to a health, safety and welfare audit during this period amounted to 31.

The number of recommendations provided to premises managers within the period to ensure a satisfactory standard of safety management safeguards was 3.

The number of Pre-Construction Health & Safety Information packs produced in the period was 15.

During the ongoing monitoring and reviewing of the decent standards improvement schemes a total of 7 audits were undertaken with 2 recommendations issued to Tristar Homes Ltd.

The Health and Safety Unit performed the role of Educational Visits Adviser in accordance with industry best practice as defined by DFEE (as was) publication, Health and Safety of Pupils on Educational Visits 1998, BS 8848 2009 and the Learning Out of The Classroom (LOTIC) Code of Conduct. The role provided advice and training, challenging individual school's safety management safeguards and endorsing those arrangements.

In the second quarter, the safety management safeguards of 35 educational visits (25 domestic, 10 foreign) involving 1033 pupils had been appraised, challenged and endorsed.

The Employee Protection Register, launched in July 2008, was an on-line data base of known perpetrators who presented an identified risk to the continued safety of Council's and Partner's workforce. The EPR had been successfully launched in all schools to provide additional security to Parent Support Advisers and other members of the school's workforce who may be conducting pastoral care or domiciliary visits.

A total of 781 employees have 'read only' access and 108 employees have 'author' rights to populate the database from across all Service areas.

During the reporting period 30 accident were reported of which 4 were reportable to the Health and Safety Executive (HSE). 6 physical and 16 verbal assaults were reported, of which one was reportable to the HSE.

At the request of Members at the Audit Committee meeting of the 23rd August 2010, the Health and Safety Manager provided clarity on the accident reporting requirements for Elected Members, specifically distinguishing between incidents that occur whilst conducting Council business and incidents that occur whilst conducting business on behalf of a political organisation.

For the purposes of reporting accidents and incidents, only those accidents or incidents that occur whilst conducting Council business should be formally reported.

A formal Elected Member accident, or incident reporting procedure has been prepared, providing a dedicated Member Accident Book and accompanying internal accident reporting form.

These documents are available for use within the Democratic Services Office located on the Ground Floor within the Municipal Buildings in Stockton.

RESOLVED that the report be noted.

A Constitutional Update

42/10

Consideration was given to a report on the developments which had taken place in relation to the Council's Constitutional framework.

The Council had agreed a Petition Scheme, a copy of which had been included in the revised version of the Constitution. In particular, the Scheme provided that:-

- A threshold of 50 signatures is set as the minimum amount required before a petition will be regarded as falling within the Scheme.
- A threshold of 2000 signatures will be required to trigger a full Council debate.
- A threshold of 1000 signatures will be required for senior officers to be called to give evidence at a Select Committee Meeting.

Citizens' rights in Article 3 of the Constitution had been expanded to reflect these new arrangements.

The Policy Framework (policies which can only be agreed by full Council) had been updated to take out policies which were no longer required to be provided by the Authority (e.g. Lifelong Learning Plan) and to introduce new policies (e.g. Adults Vision).

The terms of reference of the Scrutiny Committees had been extended to reflect their new responsibilities under the Petition Scheme. The Executive Scrutiny Committee would hold meetings to consider petitions where a Senior Officer had been called to give evidence, and would also undertake reviews requested by petitioners dissatisfied with the Council's handling of their petitions. Select Committees would fulfil this role where the Executive Scrutiny Committee had previously been involved with the petition and may, therefore, be perceived by the petitioner requesting a review as being conflicted out.

The Council's designated Scrutiny Officer was the Head of Democratic Services. This was a requirement of the Local Democracy, Economic Development and Construction Act 2009.

The Scheme of Delegation had been reviewed and updated. Changes included:-

- Amendments to Local Choice Functions such as the removal of the power of conducting best value reviews.
- A revised planning delegation scheme reflecting the changes reported to and agreed by Executive Scrutiny Committee (EXC 6/10), and endorsed by full Council on 14 July 2010.

With regard the Regulation of Investigatory Powers (RIPA) the previous delegated powers had been revised to specify that Cabinet reviewed and approved the RIPA policy and procedures annually and that it also received information on the use of RIPA powers on a quarterly basis in the Finance and Performance reports.

Chief Officers powers to act within their respective remits in accordance with statutory provisions had been extended to take account of new duties and responsibilities under, for instance, the:-

- Academies Act 2010
- Child Poverty Act 2010
- Equality Act 2010
- Flood Water and Management Act 2010
- Personal Care at Home Act 2010

With regard the Council Procedure Rules the rules now reflected the fact that Members' Questions were dealt with at the end of ordinary Council meetings, and also that Council had powers to debate petitions under the new petition scheme.

With regard the New Executive Arrangements as previously reported to the Committee, the outcome of the further consultation regarding the preferred choice of executive model of governance required by the Local Government and Public Involvement in Health Act 2007 (Council Leader and Cabinet or Directly Elected Mayor and Cabinet), was that there was a majority in favour of the Council Leader and Cabinet model.

At its meeting 2nd September 2010, Cabinet recommended this model to Council. Council agreed Cabinet's recommendation on 8th September 2010.

The summary proposals for change for a Council Leader and Cabinet form of executive were submitted to the Secretary of State for Communities and Local Government. These were on deposit and available for public inspection.

More detailed provisions relating to the Council Leader and Cabinet model had since been produced. These took the form of a revised Constitution which had been made available for Members and Officers to consider. The Constitutional changes required include the following:-

- The Article relating to the Executive (7) will reflect the fact that the Leader, after appointment by Council, will determine the size of Cabinet, who the Cabinet Members and what their portfolios are, and that there will be a Deputy Leader appointed.
- Responsibility for functions (Part 3) will make it clear that it is the Leader who decides how and by whom executive functions and powers are exercised.
- Council procedures will reflect that although the Leader will be elected by Council, Council will not elect or appoint Cabinet Members.

The changes were intended to come into operation after the local government elections in May 2011.

These detailed proposals for the new executive model form the basis of a decision which Council was required to make at a special meeting held before 31st December 2010. This was to resolve to implement the proposed Council Leader and Cabinet model set out in the detailed proposals after the local elections on 5 May 2011. A special meeting of Council had been arranged for 24th November in that respect, at which Council resolved to operate the new Council Leader and Cabinet model from 8th May 2011.

RESOLVED that the report be noted.

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43/10**

Internal Audit Progress Report

Consideration was given to a report on that advised Members of the work carried out by the Internal Audit Section and the progress made during the quarter July to September 2009 against the Annual Audit Plan.

Internal Audit is an independent appraisal function established by the Council to objectively examine, evaluate and report on the adequacy of internal controls. This role ensures that there was proper economic, efficient and effective use of resources. It also ensures 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 prior to the meeting. The intention was to give Members 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 and number of recommendations made.
- * Details of audits by Service Groupings.

Also attached to the report were two Internal Audit reports on Official Vehicle

Parking and Grangefield Youth & Community Centre. Members requested that further audits take place at Grangefield Youth & Community Centre during 2011 and that the results are reported back to the Audit Committee.

Members were given further details on a number of audits where there had been a large number of recommendations and were then given the opportunity to make comments and ask questions.

RESOLVED that the report be noted.

A Treasury Management Strategy - 3rd Quarter Update

44/10

Consideration was given to a report that provided an update to Members with an update of the practical implementation of the Treasury Management Strategy approved by Council in February 2010.

November 2010 saw the release of the third quarter results for the major UK banks. The messages were something of a mixed bag. HSBC and Lloyds did not release any specific figures but both stated that the third quarter had been a good one for trading. Barclays announced a small profit before tax of only £327million, substantially down on the second quarter. RBS announced a return to a loss situation of £1.4 billion in this period. Both sets of figures were affected by technical accountancy adjustments. However the results from the third quarter were less encouraging than those of the second quarter. This allied to the precarious state of some of the economic positions of countries in the Euro-zone means that the same level of caution needs to be applied in making investments.

Members were reminded that in the first quarter it was reported Stockton had redeemed debt resulting in a saving for the General Fund of at least £1.2million. The actual amount being dependent on the transfer of Tristar Homes to Registered Social Landlord status, and the relationship of debt between the Housing Revenue Account (HRA) and the General Fund. The redemption of the HRA debt by the Government had been confirmed which should result in the saving for the General Fund being slightly higher than £1.2million. The final figure would be confirmed once all the required technical requirements of processing this transaction had been finalised.

When the Medium Term Financial Plan was agreed in February 2010, the target for return for Treasury Management was £2.3million for 2010/11. The savings from the debt redemption of £1.2million left a requirement to realise £1.1million from investment returns. That target of return was achieved at the end of October 2010, and therefore in this financial year the original target will be exceeded. Members were aware however, that some of this return was from high yielding deals that were obtained before the credit crunch occurred. Most of these had now ceased and the current levels of return, even with pragmatic investment, were considerably lower. Despite the continued trend of inflation in the economy there was still no sign of the base rate being increased, and no associated increase in investment rates from the commercial institutions. It was therefore recommended that any surplus over and above the target figure in 2010/11 be used to combat the potential shortfall in 2011/12, if this situation doesn't change.

The Comprehensive Spending Review was announced on 20th October 2010. One of the elements of this announcement was an increase by Government in the rate the Public Works Loan Board would lend money to Local Government. At the present time this would increase the rate by approximately 1%. In recent years the rates for borrowing from the PWLB had generally been less costly than borrowing from a commercial institution. Following the announcement from the Government the Council had been contacted by brokers to inform of the commercial banks were now interested in lending money at a rate in between the old and new PWLB rate. There had not been anything more conclusive than this at present and the brokers were not prepared to release the names of the commercial banks involved. If however these proposals materialised as something more concrete, and the rates were lower than those of the PWLB, it was possible the Council would see a change of emphasis as to where the Council would make any future borrowing. The Council would continue to monitor the situation and keep Members updated.

RESOLVED that the report be noted.

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45/10 Corporate Risk Register Progress Report - Quarter 2 2010/11 - Period
Ending 30th September 2010**

Consideration was given to a report on the Corporate Risk Register Progress Report Quarter 2 (2010/11) - Period Ending 30th September 2009.

Members were reminded that quarterly reports on the Corporate Risk Register were 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.

Members 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 at the end of Quarter 4.

The interim report covered the period 30th June to 30th September 2010. 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 of one new risk, the deletion of an existing risk, together with the update of a number of the existing entries, as more particularly described later in the report.

The changes since the last reported position were attached to the report as follows:-

- * New risk added to the register.
- * Deletion from/amendments to the register.

The new risk added to the register that was summarised within the report was:-

"Failure at the A66/Teesside Park Interchange".

A more detailed risk identification, assessment and management information for the new risk was attached to the report.

The details of the risks that had moved below the corporate reporting threshold, and which were therefore been deleted from the register was attached to the report. Also recorded were changes to the general management information for individual risks, and to the numbering sequence of entries in the register.

As one risk had been added and another three deleted, the total number of significant risks in the Corporate Risk Register thus reduced to 9 at the end of the Quarter.

In addition to the foregoing risk commentary, it was also opportune to report on the outcome of the recently completed independent review of the Council's risk management programme and processes by external specialist practitioners, Marsh Risk Consultancy Partnership.

The Consultants were appointed in early 2010 with a remit to take an objective look at the Council's risk management systems and procedures to test how well they were embedded across the authority and the extent to which the discipline was having a positive effect on the achievement of corporate objectives. The project involved close examination of the current risk management policy, strategy, operational arrangements and outcomes. These were then compared and contrasted with best practice to gauge performance and standing against a recognised achievement level, the Association of Local Authority Risk Managers' National Performance Model for Risk Management 2009.

The Consultants' report on the exercise was received in mid-September 2010. Their findings were set out in detail and, overall, the Council's maturity on a scale of 1-5 was assessed at level 4, which was classed as "embedded and working". There were 7 recommendations for further enhancement of operational procedures with a view to moving even closer to the level 5 standard of achievement in the future, which was regarded as an aspirational goal. Meanwhile, the report concluded the results demonstrate that the Council remained at/close to the forefront of best risk management practice in most activity areas covered by the national model, and asserted that there was a very high level of corporate governance assurance in Stockton.

Members noted the changes referred to within the report and that they had been incorporated in the latest version of the full Corporate Risk Register. This was available in the Member's Library and an electronic copy incorporating the supporting risk assessment details was available to Members.

RESOLVED that the report be noted.

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46/10**

Annual Report of the Audit Committee 2009/10 - For Discussion

Members were informed that the Annual report of the Audit Committee 2009/10 was in the process of being prepared and it would be presented to the next meeting of the Audit Committee.

RESOLVED that the update be noted.

A **Audit Committee Work Programme 2010/11**
47/10

Members were presented with the Diary of Meetings and Work Programme for the Audit Committee for 2010/11.

RESOLVED that the Diary of Meetings and Work Programme for the Audit Committee for 2010/11 be noted.