

AUDIT COMMITTEE

Monday, 30 October 2006

6.00 p.m.

Conference Room 1,
Council Offices, Spennymoor

AGENDA and REPORTS

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Democratic Services



01388 816166

AGENDA

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST**
To notify the Chairman if you have an interest in any of the following items.
3. **MINUTES**
To confirm as correct records the minutes of the meetings held on 26th June and 29th September 2006. (Pages 1 - 8)
4. **INTERIM AUDIT REPORT - AUDIT OF THE FINANCIAL YEAR 2005/2006**
To consider the attached report of the Audit Commission. (Pages 9 - 16)
5. **FINAL ACCOUNTS MEMORANDUM**
To consider the attached report of the Audit Commission. (Pages 17 - 22)
6. **SEDGEFIELD GOVERNING PARTNERSHIPS**
To consider the attached report of the Audit Commission. (Pages 23 - 40)
7. **INTERNAL AUDIT SERVICE - REPORT FOR HALF YEAR ENDED 30TH SEPTEMBER 2006**
Report of Head of Financial Services. (Pages 41 - 56)
8. **HOUSING BENEFIT FRAUD REPORT - APRIL - SEPTEMBER 2006**
Report of Head of Financial Services. (Pages 57 - 64)
9. **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**
Members are respectfully requested to give the Chief Executive notice of items they would wish to raise under the heading not later than 12 noon on the day preceding the meeting, in order that consultation may take place with the Chairman who will determine whether the item will be accepted.

B. Allen
Chief Executive

Council Offices
SPENNYMOOR
20TH October 2006

Councillor M.A. Dalton (Chairman)
Councillor B. M. Ord (Vice- Chairman)

Councillors Mrs. K. Conroy, M.A. Dalton, Mrs. A.M. Fleming, B.M. Ord, Mrs. C. Potts and J.M. Smith

B. Argyle – Independent Member

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Item 3

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 1,
Council Offices,
Spennymoor

Monday,
26 June 2006

Time: 6.00 p.m.

Present: Councillor M.A. Dalton (Chairman) and

Councillors Mrs. K. Conroy, Mrs. A.M. Fleming, B.M. Ord, Mrs. C. Potts
and J.M. Smith

AC.1/06

ROLE AND FUNCTION OF THE AUDIT COMMITTEE

Consideration was given to a report of the Head of Financial Services giving details of the role and function of the Audit Committee, as approved by Council at its meeting on 19th May 2006. (For copy see file of Minutes).

RESOLVED : That the role and function of the Committee as approved by Council be noted.

AC.2/06

AUDIT COMMISSION - USE OF RESOURCES AUDIT SCORE FEEDBACK

Consideration was given to a report prepared by the Audit Commission regarding the above. (For copy see file of Minutes).

Sandra Swan of the Audit Commission was in attendance to present the report.

The Committee noted that the Use of Resources Assessment was a new assessment that evaluated how well the Council managed and used its financial resources. The assessment, which focused on the importance of having sound and strategic financial management to ensure that resources were available to support the Council's priorities and improve services, covered the following five themes:

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value For Money

It was noted that the assessment would be carried out annually as part of the Audit Commission's Comprehensive Performance Assessment Review of the Council.

It was pointed out that Sedgefield Borough Council was the only local authority in the region to score 4 (performing strongly) in respect of financial standing and as an exemplary authority, officers of the Council had been requested by the Audit Commission to share their best practices with other authorities.

With regard to value for money, for which the Council received the score of 2 (adequate performance), it was noted that all the recommendations made by the Audit Commission had been taken on board. A Value For Money Steering Group had also been established, chaired by the Chief Executive, with a view to rolling out good practices across all Council Departments.

Specific reference was made to the improvements achieved by the Council with regard to the processing of benefit claims. A report detailing the progress to date was to be considered by Overview and Scrutiny Committee 3 at its meeting on 11th July 2006.

Members of the Committee congratulated officers for achieving such an excellent score.

RESOLVED: That the report be noted.

AC.3/06 INTERNAL AUDIT SERVICE ANNUAL REPORT 2005/06

Consideration was given to a report of the Head of Financial Services regarding the above. (For copy see file of Minutes).

It was explained that the Accounts and Audit Regulations 2003 required the Council to maintain an adequate and effective system of internal audit of accounting records and control systems, as well as imposing the requirement to publish a Statement of Internal Control on an annual basis. Additionally, the statutory duty placed upon the responsible financial officer by virtue of Section 151 of the Local Government Act 1972, for ensuring the proper administration of financial affairs, was in part achieved by satisfactory performance of the Internal Audit Service.

Members noted that the Audit Plan that had been approved on 29th March 2005, had scheduled 812 audit mandays for the period 1st April 2005 to 31st March 2006, however, 904 mandays had actually been achieved.

The report outlined the areas of work that had been covered, which included systems and regularity audit, performance management, financial management information systems, risk management, data matching, energy management and corporate governance.

Specific reference was made to the Section's continued involvement in energy contracting and management matters in view of the increasing costs of energy. It was noted that an Energy Task Group had been established to develop energy management practices.

RESOLVED : That the report on the Internal Audit Service in 2005/06 be noted.

AC.4/06 STATEMENT OF THE SYSTEM OF INTERNAL CONTROL AND CORPORATE GOVERNANCE

The Committee considered a report of the Head of Financial Services regarding the Council's Statement of Internal Control and Corporate Governance. (For copy see file of Minutes).

It was reported that the Account and Audit Regulations 2003 required the Council to ensure that its financial and management arrangements were adequate and effective and that there was a sound system of internal control in place, which facilitated the effective exercise of the Council's functions and included arrangements for the management of risk. The Regulations also required the Council to conduct a review at least once a year of the effectiveness of its systems of internal control.

Members' attention was drawn to the Statement on the System of Internal Control and Corporate Governance for the 2005/06 financial year, which had been incorporated into the Statement Of Accounts and had been attached at Appendix 1 to the report.

It was explained that in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy for local authorities and best practice, the Statement covered the following areas:

- The scope of responsibility
- The purpose of the system of internal control
- The internal control environment
- Major developmental areas
 - Performance management
 - Risk management
 - A review of the effectiveness of the system of internal control
 - Corporate governance arrangements

RECOMMENDED : That Council approves the Statement of Internal Control and Corporate Governance as detailed at Appendix 1 of the report.

AC.5/06

STATEMENT OF ACCOUNTS (FOR YEAR ENDED 31ST MARCH 2006)

Consideration was given to a report of the Head of Financial Services, which had been prepared to meet the statutory requirements set out in the Accounts and Audit Regulations 2003 for the production and publication of the Council's Annual Statement of Accounts. (For copy see file of Minutes).

It was explained that under the Regulations the Council was required to approve the Accounts of the Authority by no later than 30th June 2006, prior to their publication and the formal signing off by the Audit Commission.

Members were given details of the outturn financial position for the three statutory accounts that the Council was required to maintain

- General Fund
- Housing Revenue Account,
- Collection Fund

Details were also given of how the outturn position had impacted on the levels of the Council's revenue reserves, together with the revenue provisions approved by the Director of Resources to be carried forward for use in 2006- 2007.

The outturn position for the Council's capital programme for both the Housing Revenue Account and General Fund was highlighted, how the programme had been financed and recommended amendments to the overall capital programme control totals for 2006/07 to account for slippage and delays in implementing some approved schemes.

RECOMMENDED : That the Council approves the Statement of Accounts for year ended 31st March 2006 .

AC.6/06

PROPOSED TRAINING ARRANGEMENTS FOR MEMBERS OF THE COMMITTEE

Consideration was given to a report of the Head of Financial Services seeking approval to arrange appropriate training for Members of the Audit Committee. (For copy see file of Minutes)

It was explained that guidance issued by the Chartered Institute of Public Finance and Accountancy recommended that Members of an Audit Committee should be properly trained to fulfil their role and ensure that the Committee would be fully effective.

It was therefore proposed that officers from the Council and the Audit Commission prepare a training programme for consideration by the Chairman and Vice-Chairman of the Committee, taking into account the role and functions of the Committee. It was envisaged that over time the training would encompass the following areas:

- The Role of the Audit Commission
- The principles of Risk Management
- The Role of Internal Audit
- The Requirements of the Statement of Internal Control
- The Content of the Annual Statement of Accounts

Specific reference was also made to the CIPFA publication ' Councillors Guide to Local Government Finance' which could be viewed by selecting 'Documents' from the main menu on the Council's Intranet site.

RESOLVED : That appropriate officers of the Council and the Audit Commission arrange for suitable training to be provided following consideration of any proposals by the Chairman and Vice-Chairman of the Committee.

AC.7/06

APPOINTMENT OF INDEPENDENT MEMBER

It was reported that an advert had been placed in the Northern Echo regarding the appointment of a co-opted member to the Audit Committee and two people had expressed an interest.

It was proposed that the Head of Financial Services, in consultation with

the Chairman and Vice-Chairman of the Committee, should interview the two candidates and make a recommendation to Council regarding the appointment.

RESOLVED : That the Head of Financial Services, in consultation with the Chairman and Vice-Chairman of the Audit Committee, interview the two candidates for the position of Co-opted Member on the Audit Committee and make a recommendation to Council regarding the appointment .

AC.8/06

PROPOSED WORK PLAN FOR 2006/07 MUNICIPAL YEAR

Consideration was given to a report of the Head of Financial Services regarding the potential work plan for the remainder of the 2006/07 municipal year. (For copy see file of Minutes).

Members' attention was drawn to Appendix 1, which listed the items that could be considered at the three scheduled meetings in the 2006/07 municipal year. It was, however, pointed out that it may be necessary to arrange a special meeting from time to time to bring the Committee's attention to an issue that from a timing point of view should be considered before the next scheduled meeting of the Committee. The Chairman and the Vice-Chairman would be consulted prior to any special meeting being arranged.

RESOLVED : That the potential Work Plan for 2006/07 Municipal Year, as shown at Appendix 1, be noted.

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SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 2,
Council Offices,
Spennymoor

Friday,
29 September 2006

Time: 10.00 a.m.

Present: Councillor M.A. Dalton (Chairman) and
Councillors Mrs. K. Conroy, B.M. Ord and J.M. Smith
B. Argyle – Independent Member

Apologies: Councillors Mrs. A.M. Fleming and Mrs. C. Potts

AC.9/06 DECLARATIONS OF INTEREST
Members had no interests to declare.

AC.10/06 INDEPENDENT MEMBER
The Chairman introduced and welcomed Brian Argyle, who had recently been appointed as the Audit Committee's independent member.

AC.11/06 ANNUAL GOVERNANCE REPORT
Catherine Andrew and Sandra Swan from the Audit Commission attended the meeting to present the Annual Governance report covering the audit of the Council for year ended 31st March 2006. (For copy see file of Minutes)

The principle purposes of the report were:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Council.
- To share information to assist both the auditor and those charged with the governance to fulfil their respective responsibilities.
- To provide the Council with recommendations for improvement arising from the audit process.

The Committee's attention was drawn to the key messages detailed on Page 7 of the report. It was noted that work on the financial statement had been completed and an unqualified opinion would be issued.

With regard to the use of resources, it was explained that the Code of Audit Practice required the Audit Commission to reach a conclusion on whether the authority had proper arrangements in place for securing the economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

Members noted that there were no matters that the Audit Commission wished to draw the Council's attention to in relation to the use of

resources and an unqualified conclusion would be issued.

It was pointed out that the Council had taken a positive and constructive approach to the audit and officers were thanked for their assistance and co-operation.

With regard to Appendix 3 – Fee information – the question was raised on whether the audit fees - £90,030 had to be met by the Council or they were subsidised by the Government. It was reported that the audit fees had to be paid in full by the Council, however, the fees for audit inspections were subsidised by the Government.

RESOLVED : That the report be received.

AC.12/06 PROPOSED TRAINING ARRANGEMENTS FOR MEMBERS OF THE AUDIT COMMITTEE

It was reported that arrangements were being made to hold a two hour training session prior to the next scheduled meeting of the Audit Committee on 30th October 2006.

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Interim Audit Report

Sedgefield Borough Council

Audit 2005/2006

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

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Introduction

- 1 2005/06 has seen a number of significant changes to the regulatory framework under which we conduct your audit.
 - It is the first financial year in which International Standards of Auditing have applied to the audit of the Authority.
 - Parliament has approved a new Code of Audit Practice (CoAP), which sets out the work to be undertaken by auditors. This now additionally requires us to give an opinion on the Authority's arrangements to secure value for money.
- 2 Our interim opinion audit comprised our review of the Authority's systems and the operation of their key controls. This report summarises the results of our interim visit and the implication on our work at final accounts.

Audit approach

- 3 The audit has been carried out to be ISA (International Standards on Auditing, United Kingdom and Ireland) compliant in accordance with New Code of Audit Practice. The ISA's were introduced by the Auditing Practices Board, applying to all accounting periods starting after 15 December 2004.
- 4 The most significant changes from our previous approach have resulted from the introduction of ISA 315, 'Understanding the entity and its environment' and ISA 330 'the Auditor's procedures in response to assessed risks'.
- 5 These ISA's place a greater emphasis on identifying information systems that lead to material balances in the financial statements, and evaluating and testing relevant key controls at the assertion level.
- 6 The work we have completed is as follows.
 - Stage 1: carry out a risk assessment of the general environment within which the Authority's information systems operate.
 - Stage 2: map the systems that provide material figures in the financial statements.
 - Stage 3: document the processes and controls in place within each system and undertake a walkthrough to ensure the system is operating as stated.
 - Stage 4: assess which are the key controls to ensure the integrity of the accounting entries and obtain evidence that they are operating as intended.
- 7 This work identifies the extent to which we can gain assurance from the controls the Authority have put in place, and informs the testing strategy once the financial statements have been presented for audit.

- 8 The main information systems identified were as follows.
- General Ledger.
 - Budget setting and monitoring.
 - Creditors.
 - Debtors.
 - Treasury Management - Loans and Investments.
 - Payroll.
 - Capital Accounting.
 - Council Tax.
 - Housing Benefits.
 - NNDR.
 - Housing Rents.
- 9 As in previous years, we have sought to place reliance on Internal Audit work to make best use of the authority's audit resource. A review of the Internal Audit Service has been carried out and is detailed in Appendix 1.

Main conclusions

- 10 We identified that the authority had sound controls operating over its financial systems which are used to produce the authority's statements.
- 11 We confirm that the Internal Audit Service provided at Sedgefield Borough Council complies with the requirements of Cipfa's Code of Practice for Internal Audit.

Appendix 1- Assessment of Internal Audit

- 1 The Internal Audit Service has been assessed against the ten standards required by Cipfa and are summarised as follows.

Cipfa Standard	Finding
Standard 1 Scope of Internal Audit	The Internal Audit section have clearly agreed and communicated terms of reference. Internal Audit carries out a systematic review and evaluation of the internal control environment. Internal Audit has a clear role in relation to fraud. Standard met
Standard 2 Independence	Internal Audit has sufficient organisational status to be able to undertake its work effectively. Internal Audit is free of operational responsibility that could compromise its independence. Standard met
Standard 3 Audit Committees or equivalent	Internal Audit has access to and makes regular reports to elected members. Standard met
Standard 4 Relationships with management, other auditors and other review bodies	Internal Audit has effective relationships with members, managers, external audit, inspectorates and other agencies. Standard met
Standard 5 Staffing, training and development	Internal Audit is adequately staffed and resourced. Internal Audit staff are suitably trained and developed. Standard met
Standard 6 Audit strategy	Internal Audit has an audit strategy for providing the organisation with an evaluation of, and opinion on, the effectiveness of the control environment. Internal Audit prepares a periodic audit plan that implements the audit strategy. Standard met

Cipfa Standard	Finding
Standard 7 Management of audit assignments	Internal Audit has periodic plans for the undertaking of audit assignments. Internal Audit has established clear standards for documentation and working papers. Internal Audit follows up recommendations to ensure that action is taken. Standard met
Standard 8 Due professional care	Effective mechanisms have been established to ensure that due professional care is maintained. Standard met
Standard 9 Reporting	Internal Audit has clear reporting arrangements that provide management with an opinion on the adequacy of internal controls. Standard met
Standards 10 Quality assurance	Internal Audit work is controlled to ensure that a continuously effective level of performance is maintained. Standard met

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Final Accounts Memorandum

Sedgefield Borough Council

Audit 2005/2006

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Introduction

- 1 Sedgefield Borough Council is responsible for the preparation of:
 - financial statements that present fairly its financial position as at 31 March 2006 and its income and expenditure in the year then ended; and
 - A Statement of Internal Control in accordance with the provisions of the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice.
- 2 We are responsible for undertaking an audit and reporting whether in our opinion the Authority's financial statements do present fairly its financial position and to report any inconsistencies with the disclosure made by the Authority within its Statement of Internal Control.

Background

- 3 The Authority approved a draft statement of accounts during June 2006 and submitted them to us for audit. We have now completed our audit of these statements.
- 4 This report discloses all issues arising from the final accounts audit. A separate Annual Governance Report was presented to Members in September 2006, which covers those issues that we decide need bringing to members attention and includes our opinion and VFM Conclusion.

Audit approach

- 5 It should be noted that our audit does not seek either to obtain absolute assurance that the financial statements present fairly your financial position or assurance that they are accurate in every regard. We have planned and conducted our audit so as to identify any material errors in your financial statements that might distort the interpretation of the statements. We also consider any items that we deem to be politically or numerically sensitive.

Main conclusions

- 6 Our overall conclusion is that the financial statements present fairly the financial position of the Authority and we gave an unqualified audit opinion on 29 September 2006. Some issues were raised during the audit and are detailed in Appendix 1.

Acknowledgements

- 7 We would like to take this opportunity to thank your staff for their assistance during our audit visit and their work on ensuring that good quality working papers were provided to us.

Appendix 1 – Final accounts issues arising

Matter arising	Suggested action
Note 1.1 in the Statement of Accounting policies refers to SSAP 2 which has been superseded by FRS18.	The Statement of Accounts has been amended.
The bank reconciliation included a variance of £6648.	This variance was investigated by SBC Officers and no amendments were required to the Statement of Accounts.
There were casting errors in the Statement of Total Movement in Reserves.	The Statement of Total Movement in Reserves has been amended in the Statement of Accounts.
The Statement of Total Movement in Reserves requires a note for the last 3 years to be included regarding the actuarial gains and losses. The note in the draft statement was for two years only. (Sorp paragraph 4.33, page 64)	The Statement of Accounts is to be revised with effect from 2006/07.
There were a number of inconsistencies in the presentation of the Cash flow statements when compared with the information contained in the other financial statements amounting to £54,000 in total.	The Cash Flow Statement in the Statement of Accounts has been amended and a revised approach agreed for 2006/07.

Governing Partnerships

Sedgefield Borough Council

Audit 2005-2006

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Introduction

- 1 Local partnerships are essential to deliver improvements in people's quality of life, but:
 - they bring risks as well as opportunities, and governance can be problematic;
 - they may not deliver good value for money, so local public bodies should ask searching questions about those they are engaged in; and
 - clear accountability is needed between partners to produce better accountability to the public.
- 2 As part of our work with audited and inspected bodies (AIBs) we are required to consider and report on the risks associated with partnership working.

Background

- 3 Partnerships are a significant feature of public service delivery. At the last count, around 5,500 partnerships existed in the UK, accounting for some £4 billion of public expenditure. On a local scale Durham AIBs are players in a significant number of partnerships; NRF alone accounts for significant spending, mainly by bodies outside the Councils in the four NRF areas.
- 4 Councils and other partners need to be clear about what they are trying to achieve and how they will achieve it by working in partnership. They need to ask themselves.
 - How do partnerships add value? Partnership working can bring real benefits but can also be costly in terms of time and resources, and authorities are not always measuring the impact.
 - Who is in charge of partnerships? Audit Commission evidence indicates that in the main a third of partnerships experience problems due to poor leadership and management.
- 5 The objectives of this audit were to support improvement by identifying areas of risk and to determine whether further audit work is needed in 2006/07.

Audit approach

- 6 The audit comprised a short self assessment by the AIB, review of additional supporting documents and brief discussions.

Main conclusions

- 7 The Council has a formal and structured approach to engaging and disengaging in partnership working. This ensures that it is fully aware of its commitment, involvement and participation in various partnerships and is able to determine through performance monitoring and risk assessment the overall effectiveness of each partnership and who - from the Council - is responsible for representing the Council on each partnership.
- 8 There are 34 working arrangements that meet the Council's definition of what constitutes a partnership – *'A joint working arrangement in which the Council agrees to co-operate and collaborate with one or more legally independent organisations to achieve a series of shared objectives and outcomes'*. These partnerships range in size from local arrangements to sub regional and include statutory and non-statutory partnerships. All partnership details are contained in a partnership register (database) which reduces duplication of effort and the creation of partnerships that existing arrangements could incorporate.
- 9 'Working in partnership with others' is one of the Council's corporate values. It has adopted a formalised and structured approach to partnership working and is able to link the majority of its partnerships to specific targets and funding streams.
- 10 Entering into a partnership arrangement requires formal Council approval based upon the submission of a business case by the service representing the Council on the partnership. The business case outlines the purpose, representation, governance arrangements, resources and risks of working in the proposed arrangements. Following approval, the service then attaches the business plan as an appendix to its own service plan and both are subject to an annual assessment. This allows the Council to monitor performance and partnership effectiveness.
- 11 Partnership working is ranked as one of the highest risks in the Council's risk register. Accordingly, arrangements for entering into partnership working include a proportionate cost benefit analysis of each potential option thereby identifying performance, financial and risks that councillors can consider when authorising or refusing the Council's participation in the partnership. These same areas are considered as part of the annual assessment which allows the Council to decide to either continue in those arrangements or disengage from them.
- 12 Guidance to heads of service on partnership working has been issued and is contained in the Council's Contract Procedure Rules. Guidance was supported by a presentation to the Heads of Service Group in March 2006, although Heads of Service have been involved in the development of the framework at earlier stages too. To monitor and mitigate risk a partnership control framework is in development, will be issued to all Service Heads and its implementation and impact monitored by the Strategy and Regeneration Division.

- 13 Over the last year in particular the Council, has diverted resources to support the development of governance arrangements in the LSP as a result of its risk analysis. The Local Strategic Partnership (LSP) is one of a number of key partnerships, that the Council has identified and governance arrangements are in place that are consistent with those of the majority of partners: quarterly monitoring and reporting of financial, information, risk and performance management. These arrangements are strengthened by the LSP's Data Management Group which supports joint planning by the Council and partners and the development of clear links to the County Durham Strategic Partnership and the County Durham Local Area Agreement.

Appendix 1 – Council’s self-assessment

Table 1 Internal arrangements for partnership working

Question	Response
<p>Nature and scope of partnership working.</p>	<p>Sedgefield Borough Council is involved in some 34 different arrangements that meet the corporate definition of ‘partnership’.</p>
<p>How many partnerships are you currently involved in?</p>	<p>A joint-working arrangement in which the Council agrees to co-operate and collaborate with one or more legally independent organisations to achieve a series of shared objectives and outcomes. This would usually involve the agreement of an organisational and governance structure for the Partnership, the commitment of resources, an agreed programme of action, the sharing of information and the management of risks and rewards.</p>
<p>Describe the nature and range of these partnerships</p>	<p>These partnerships represent a variety of arrangements both statutory and non-statutory including public sector joint committees, joint boards and consortia, partnering arrangements/pooled budgets, a joint venture with a private sector company, a company limited by guarantee (trust) and a charity.</p>
<p>How many of these do you consider yourselves to lead?</p>	<p>The Council is a partner to two interlinked overarching quality of life partnerships in the County Durham Strategic Partnership and the Sedgefield Borough Local Strategic Partnership. These partnerships direct and/or influence a number of other thematic partnerships, including eight that are primarily health-related, six focused on economic development, four each in respect of regeneration and children and young people and others including community safety, lifelong learning, independent living, sustainable communities and access to services. Two others are specifically efficiency-driven. The Council leads nine of these partnership arrangements. Representation at an officer level is split across four of the five departments. 15 are the responsibility of the CEO Department, 13 Neighbourhood Services, 4 Resources and 2 Leisure Services.</p>

8 Governing Partnerships | Appendix 1 – Council’s self-assessment

Question	Response
<p>What policies do you have about getting involved in partnerships? And about disengaging from partnerships?</p>	<p>Both the Council’s culture and size obliges it to working in partnership to deliver shared objectives, best value and efficiency requirements. This is set out in its corporate values statement:</p> <ul style="list-style-type: none"> • be open, accessible, equitable, fair and responsive to the public; • consult with service users, customers and partners; • invest in our people [employees]; • work in partnership with others; • be responsible with and accountable for public finances; • achieve continuous improvement and innovation in service delivery; • tackle disadvantage and promote social inclusion; and • take account of sustainability, risk management and crime and disorder. <p>The Council has a tradition of ‘partnership working’ in its widest sense. Whilst statutory partnerships are of course mandatory, the need for a discretionary partnership arrangement of any type would always be determined by the degree of contribution to the Council’s objectives and the needs of the local community in comparison to the alternative means of provision.</p> <p>The development of a partnership is always subject to the Council’s formal approval mechanism. A business case for the proposal outlining purpose, representation, governance arrangements, resources, risk and so on would have to meet the approval of key officers across the Council prior to being submitted for member approval. Resources would then be allocated via budget setting and the partnership performance managed in accordance with its partnership agreement. A partnership working framework and toolkit that will formalise and enhance this process is in development. Under this framework, the service representing the Council on the partnership will include the partnership’s business plan as an appendix to its service plan and these will both be subject to an annual assessment. The findings of all annual partnership assessments will be collated and an annual report prepared for Cabinet and Scrutiny. The Council’s Strategy and Regeneration Division, which maintains the Council’s partnerships register, will coordinate this process.</p> <p>Most of the Council’s partnerships are linked to specific targets or funding streams, and so are time-limited with a natural end date. Disengaging from these partnerships prior to the scheduled end date would be influenced by performance, partner relationships and external factors such changes in the operating environment. These would be identified ordinarily in the annual assessment and any decision subject to the Council’s approval process.</p>

Question	Response
<p>How do you assess the costs and benefits of engaging in different forms of partnership working against other ways of achieving the same ends (eg formal contracts or bilateral arrangements)?</p>	<p>The business case for the partnership will include a proportionate cost benefit analysis of each potential option for delivery including a full risk assessment in order to support the case for partnership creation. The business case for each partnership should be reviewed following the annual assessment outlined above, to ensure that it remains the best option. A partnership working framework and toolkit that will formalise this process is in development.</p>
<p>How do you decide when simple collaboration or liaison should become a formal partnership?</p>	<p>This is contingent upon a number of factors and would very much be determined on a case-by-case basis. Speaking generally, performance, financial and/or risk management would indicate where silo working (however closely aligned) is a barrier to the achievement of corporate objectives, either thematic or organisational. This would then trigger the development of a business case, as outlined above. In instances where this has occurred in the past, the development has been organic, driven by successes and improving relationships to a tipping point where form eventually follows function. An example of this would be the development of integrated housing and health support teams to enhance performance against an array of housing support indicators.</p>
<p>How do your partnerships differ in size, scope and impact?</p>	<p>The Council’s partnership arrangements encompass the local strategic partnership; linked:</p> <ul style="list-style-type: none"> ● sub-regional and boroughwide joint boards/committees and sub-partnerships focusing on strategic issues/coordination of service delivery; ● multi-million pound, capital-based joint ventures towards a specific purpose (NetPark, Locomotion, Competition Line Partnership); and ● partnerships for the management of both area-based and thematic regeneration funding streams.

10 Governing Partnerships | Appendix 1 – Council’s self-assessment

Question	Response
<p>Which key formal partnerships are you involved in? Who takes responsibility for them?</p>	<p>No official prioritisation exercise has been undertaken in order to rank the Council’s partnerships (eg in respect of the loss of influence, performance or funding to the Council or impact on local quality of life should the partnership not exist). The following partnership arrangements could however be considered key.</p> <ul style="list-style-type: none"> • Sedgefield Borough Local Strategic Partnership and County Durham Strategic Partnership (overarching, ‘umbrella’ partnerships) – officer responsibility with Strategy and Regeneration. • The County Durham E-Government Partnership (improving access to public services and providing the infrastructure for effective future governance) – Resources/Service Improvement. • County and Borough Children and Young People’s Partnerships and the Borough Community Safety Partnership (statutory partnerships) – the first two the joint responsibility of Strategy and Regeneration and Leisure Services, the latter the responsibility of Neighbourhood Services. • NetPark Steering Group and Locomotion (both for the monies involved and the potential long-term impact on the Borough’s economy) – Strategy and Regeneration and Leisure Services respectively. • Groundwork East Durham and the Sedgefield Borough Business Forum – for leverage of funding and promoting the development and involvement of local business – Strategy and Regeneration. • The housing renewal/housing support partnerships, Durham Coalfields Housing Renewal Partnership, Durham and Districts Supporting People Partnership and the Sedgefield Borough Voluntary Partnership Board for Adult Services – vital for sustainable communities and the health and wellbeing of vulnerable groups. <p>A formal exercise will be undertaken to review this preliminary assessment.</p>
<p>How do you monitor and mitigate the risks associated with working across a wide variety of partnerships? How do you assess the effectiveness of your monitoring? How do you ensure your monitoring is proportionate?</p>	<p>Partnership working is ranked as one of the highest risks in the Council’s risk register. To monitor and mitigate risk a partnership control framework is in development, will be issued to all Service Heads and its implementation and impact monitored by the Strategy and Regeneration Division.</p> <p>A risk assessment will be completed/updated for each partnership as part of its annual performance assessment and an action plan to address identified risks included within its business plan. The lead Service for the partnership will be responsible for ensuring that this plan is delivered. Strategy and Regeneration will collate all partnership assessments as part of its annual monitoring role and include an assessment of each partnership’s approach to risk, the overall position and necessary recommendations in its update report to Cabinet/Scrutiny. The Council’s risk register will then be updated accordingly.</p>
<p>How do you know your own</p>	<p>The Council has a comprehensive organisational action plan that supports continuous improvement in corporate</p>

Question	Response
<p>organisational governance arrangements are adequate both to support and to manage the risks of working in partnership?</p>	<p>governance and the development of a partnership governance framework is one element of this plan. The implementation of this plan is monitored by Management Team and Cabinet.</p> <p>Any barriers to partnership working posed by the Council’s organisational governance framework would be identified in the Partnerships Annual Report.</p>

Table 2 Internal arrangements for partnership working within specific partnerships

Question	Response – Local Strategic Partnership
<p>Rationale for the partnership arrangements</p>	<p>Sedgefield Borough was one of the original 88 L.A. areas allocated Neighbourhood Renewal Funding on the basis of need. This funding was dependent upon the development of LSPs in those areas, bringing together all the sectors to develop a strategic approach to improving quality of life and narrowing the gap, promote joint working and best value in local public services and determine how NRF and other special funding should be spent.</p>
<p>Why does this partnership exist?</p>	<p>Sedgefield Borough LSP was established/accredited in January 2002 and is coordinated by a Secretariat employed by the Council. The LSP vision (as set out in its published Prospectus, available on the Partnership’s website) is ‘to provide an open and inclusive partnership to promote the well being of the Borough and its communities’. The Prospectus sets out the purpose, structure and membership of the LSP and its links to the County Durham Strategic Partnership.</p>
<p>What are its agreed aims?</p>	<p>In its first two years the LSP led the development of a Local Neighbourhood Renewal Strategy and subsequently a Community Strategy for the Borough. These strategies (now integrated) set out the Partnership’s ambitions for improvements in quality of life in Sedgefield over the 2004-2014 period and align with the Strategic Vision for County Durham. To ensure that Sedgefield Borough is a place where:</p> <ul style="list-style-type: none"> • people can live healthy, active and fulfilling lives as part of vibrant and strong communities; • high quality businesses can prosper and local people have the confidence and skills to access the jobs that they offer; • the natural and built environment is valued, conserved and enhanced; and • people can access the housing they want in attractive and safe neighbourhoods.
<p>Where have they been published?</p>	<p>The vision is summarised in four words – Healthy, Prosperous, Attractive and Strong. Both the LNRS and the Community Strategy were formally launched and printed versions made available in public places. Current versions of all LSP documents are available on the website.</p>
<p>Can you identify a better way of serving the public?</p>	<p>LSPs are in effect mandatory partnerships so options appraisal at a local level in respect of the partnership rationale is pointless. However detailed analysis of the LSP structure and operations has recently been undertaken and led to a revised structure driven by performance management and community involvement.</p>

Question	Response – Local Strategic Partnership
<p>How does the partnership add value?</p>	<p>The LSP adds value to mainstream public services by providing a forum for the development of joint working in respect of crosscutting issues and shared objectives/targets. Issues such as sustainable development, health promotion, worklessness, lifelong learning, regeneration and social inclusion would not be addressed in a holistic, joined-up or effective manner if the LSP did not exist.</p>
<p>How do you demonstrate this added value to the public?</p>	<p>This value is demonstrated by way of the Partnership’s Communications Strategy and publicity around partnership-led events, projects and initiatives. An Annual Conference, community involvement across the LSP structure and links to local community groups also assists in the communication of the LSP’s agenda. Two planned initiatives for 2006 will further improve public awareness of the LSP – the first of what will be an annual Quality of Life survey for the Borough and the first LSP Annual Report, which will serve as a public update on progress against the Community Strategy and be derived from the LSP’s performance management framework.</p>
<p>How do you know funds are being well spent? How does the public know funds are being well spent?</p>	<p>Funds are allocated in line with thematic and organisational priorities identified via the LSP’s Performance Management Framework, which in turn will demonstrate the impact of supported interventions. This may however be in the mid to long-term due to the lag in impact and/or data availability (eg in respect of health indicators). Consequently interventions are based on best practice and/or a detailed knowledge of what works within local areas (derived from statistical analysis and community consultations) in order to maximise the potential for success. The basket of indicators used to measure the achievement of community strategy objectives show improvement across the board. The LSP operates prudent financial management involving quarterly monitoring, appraisal and reporting (to Policy Group, Management Group, Board and GO-NE) to ensure that supported projects are using funding in accordance with proposals. NRF carry over is well within the NRU threshold. Reports and spend and performance are available on the LSP’s website. Information on expenditure and case studies on performance will be included in the forthcoming Annual Report.</p>

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Question	Response – Local Strategic Partnership
<p>Governance arrangements</p> <p>How do your partnership’s governance arrangements link to those of individual partners?</p> <p>How are decisions made? How are they recorded? Who makes sure they are acted upon? Who scrutinises them?</p> <p>To whom are they reported?</p>	<p>The LSP’s governance arrangements (financial, information, risk and performance management) operate on a financial year cycle, with quarterly monitoring – clearly this fits with those of the majority of partners. More specifically, the LSP’s Data Management Group has secured joint planning with Sedgefield BC and Sedgefield PCT and there are clear links into the County Durham Strategic Partnership and the County Durham Local Area Agreement.</p> <p>Decision-making is by consensus, then by majority vote. All meetings and decisions are minuted and minutes posted on the LSP website. The LSP’s Management Group drives implementation of decisions via monitoring of the Partnership’s Improvement Plan. The LSP Board has fulfilled a dual decision-making/scrutiny role to date but these functions are clearly separated within the new LSP structure, which includes a more streamlined and senior Executive Board (including an ‘external challenger’) scrutinised by a wider stakeholder group (similar in terms of representation to the current Board). GO-NE and at times the CDSP offer a challenge/scrutiny/audit function.</p> <p>Decisions are reported to the public via the website and through partners’ own approval mechanisms and to the CDSP, GO-NE and the ODPM, as appropriate.</p>

Question	Response – Local Strategic Partnership
<p>Performance management</p> <p>How do you know which targets are being met and which you are failing to meet?</p> <p>Who manages and reports progress?</p>	<p>The LSP adopted the NRU Performance Management Framework in April 2004 and has since completed two Annual Review cycles with GO-NE. The PMF prescribes an annual review of delivery/outcomes, a triennial review of partnership working and a single LSP Improvement Plan to address weaknesses identified in these reviews and through subsequent discussions with GO-NE.</p> <p>The LSP has encountered difficulties in embedding performance management across the partnership but these difficulties have now been addressed and it is anticipated that the Partnership will make significant strides towards a green rating against the NRU’s traffic light system at the 2006 Annual Review. The LSP is allocated Neighbourhood Renewal Advisor assistance to support improvements.</p> <p>In terms of the in-year process:</p> <ul style="list-style-type: none"> • the Annual Review produces the overall LSP Improvement Plan; • this is disaggregated into the Partnership Improvement Plan, four Thematic Improvement Plans and various supporting action plans; • thematic Lead Officers are charged with delivering these plans and report back to the Executive Board on a quarterly basis; • the Executive Board and the Secretariat will progress the Partnership Improvement Plan; and • the LSP Stakeholder Group will scrutinise the Improvement Plan and its progress. <p>The LSP’s Data Management Group coordinates the process and produces all documentation.</p>

Question	Response – Local Strategic Partnership
<p>Financial management</p> <p>Who provides the money?</p> <p>Who decides how to spend it?</p> <p>Can money be reallocated?</p> <p>What are the financial reporting arrangements?</p>	<p>Funding used/allocated via LSP to date comprises Neighbourhood Renewal Funding (£3.417 million between 2003/04 and 2005/06) – which is top sliced for administration and crosscutting issues – and a financial contribution from Durham County Council (£15,000 per annum, £45,000 to date). These funding streams will continue until the end of 2007/08. Additional resources are used to fund the Community Empowerment Network that promotes community involvement across the LSP structure.</p> <p>Decisions on expenditure are made by the LSP Board based on recommendations from the Management Group (comprising of thematic leads and key officers). There is provision within the LSP’s policies and procedures to both claw back money from initiatives that are not performing and to reallocate funds. A reallocation exercise was undertaken in 2005/06.</p> <p>Supported interventions report on expenditure and performance to the appropriate thematic group on a quarterly basis and these reports are collated into an overall progress report for the LSP Management Group and Board.</p>
<p>Risk management</p> <p>How do you know when things are going wrong?</p> <p>Who can take action when things go wrong?</p> <p>How do you resolve conflicts of interest?</p>	<p>All projects and initiatives supported by the LSP are required to demonstrate a proportionate degree of risk management. The LSP’s partnership improvement plan identifies an action to produce a formal risk management statement for the Partnership to outline a consistent approach and minimum requirements.</p> <p>The Thematic Lead Officers can clearly identify where performance is deteriorating, where interventions are not having the desired effect or where there is slippage in any action plan via the Partnership’s Performance Management Framework. This provides timely data to support any required remedial action.</p> <p>Procedures for avoiding conflicts of interest are outlined in the LSP Memorandum of Administration are:</p> <ul style="list-style-type: none"> • If any Partnership Board Member has a personal or financial interest, whether direct or indirect, in any matter under consideration by the Board, the Board Member shall declare that interest verbally at the meeting and shall not speak or vote on that item. The Board will normally require a Member who has declared an interest to leave the room while a debate and vote is being held on that item. <p>This rule would apply to a meeting of any LSP Group and has been used on appropriate occasions.</p>

Question	Response – Local Strategic Partnership
<p>Termination arrangements</p> <p>What are the arrangements if the partnership comes to an end? Or if you decide to no longer be involved? How will resources be reallocated back to partners?</p>	<p>The LSP is a long-term partnership with no prescribed end date and only local government reorganisation; loss of accreditation or an irrevocable dispute between partners could result in its termination.</p> <p>It is unlikely that the Council, as the community leader for the Borough, would decide to withdraw from the LSP, unless of course the contribution of partners was so limited that the costs of partnership working were to become greater than the benefits derived. This would be determined by the PMF and an extended period of negotiation/arbitration would take place before any such course of action would be deemed acceptable. Any such move would require the approval of full Council. Re-allocation of resources in the event of the termination of the LSP would not be necessary. Moves to make LSPs statutory and/or partners’ involvement mandatory will remove the reliance on partners’ goodwill.</p>
<p>Serving the public</p> <p>How effectively does the partnership communicate with the public? How can the public and service users obtain redress when things go wrong? Is there a complaints and suggestions process the public can use?</p>	<p>Communication within the Partnership is good and should improve further following the adoption of the LSP Communications Strategy and the implementation of its supporting action plan, but no formal assessment of the effectiveness of communication with the public has been undertaken – this will be achieved via the forthcoming LSP Quality of Life Survey. Anecdotal local awareness of the LSP is good, given the involvement of the network of community groups and residents associations in the work of the LSP, however given the current structure of public services, the level of public awareness is never likely to be as great as democratically elected councils or health agencies.</p> <p>The LSP has no formal complaints procedure. Whilst complainants could use the Borough Council’s system as an entry point at the present time, a distinct system will be developed. The public is encouraged to contact the Secretariat with any suggestions they might have in respect of published documentation and there is also a feedback template on the LSP website.</p>

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R1 <i>To monitor and mitigate the risks of partnership working, the partnership control framework should be completed as soon as practicable and its impact monitored by the Strategy and Regeneration Division.</i>	2	Head of Strategy and Regeneration	Yes	None	August 2006

Item 7

AUDIT COMMITTEE

30TH OCTOBER 2006

REPORT OF HEAD OF FINANCIAL SERVICES

Portfolio: STRATEGIC LEADERSHIP

**INTERNAL AUDIT SERVICE –
REPORT FOR HALF YEAR ENDED 30TH SEPTEMBER 2006**

1. SUMMARY

- 1.1 The Internal Audit Plan for 2006/07 year was considered and approved by Overview and Scrutiny Committee 1 on 10th April, 2006. (Minute Ref : OSC(1)44/05). This report deals with the first six months of audit activities, including the progress against the planned work and information on related areas of corporate governance. The scheduled audit days have been achieved in the first six months of the year.

2. RECOMMENDATIONS

- 2.1 It is recommended that the half-yearly progress report is received and that a full year report be considered at the appropriate future meeting of this Committee.
- 2.2 That any relevant audit matters be reported to the quarterly meetings of this Committee.

3. AUDIT ACTIVITY 1ST APRIL TO 30TH SEPTEMBER, 2006

- 3.1 The approved Audit Plan scheduled a total of 915 man-days for the full year, with a half-year performance of 434 days. A summary of the audit work carried out during the first half of the current financial year is shown in the Appendix to this report and shows that a total of 424 days have been achieved.
- 3.2 Highlighted below are some of the major areas of work undertaken together with commentary on the key audit/control issues affecting the Council, which will require the continuing involvement of the Internal Audit staff.

3.3 **Regularity Audit**

The programme of regularity audit for the half-year, which forms the core of the Audit Plan has been substantially completed. Those areas not finalised in the half-year included Newton Aycliffe Leisure Centre (timing switched with Spennymoor), Licensing activity and Central Stores will be progressed shortly.

There were 31 “formal” audit reports issued during the period with 15 confirming that there were satisfactory arrangements in place.

Within the 16 reports issued where recommendations had been made, there were a total of 23 recommendations classified as being of “high importance”, 3 of “medium importance” and 4 that were of “low importance”

All recommendations are made following detailed discussions and with the agreement of the appropriate service managers and have been implemented in accordance with agreed action plans.

Details are shown in the Appendix which provides a brief summary of matters identified as part of the work undertaken by the Internal Audit team. The appendix, together with the following paragraphs, are intended to give a flavour of the wide range of activities covered by the Audit team and the matters which may arise from the work performed. Members will note that the appendix details positive progress being made in the resolution of the matters highlighted.

3.4 **Corporate Governance**

The Councils Key Performance Indicators are reported to Strategic Working Groups throughout the year. The systems within departments to monitor performance must continue to develop in recognition that performance management is more than preparation of Performance Indicators. The departmental review processes have been highlighted as part of the Statement of Internal Control (SIC) requirements as well as being an essential feature of the Key Lines of Enquiry (KLOE) and Comprehensive Performance Assessment (CPA). The recent Data Quality Assessment has reinforced the need for departmental performance management and continuing internal audit examination.

3.5 **Financial Management Information**

This major system continues to be developed and enhanced to provide high quality and timely budgetary information to all managers.

3.6 **Risk Management**

Internal Audit have a close involvement in the development of the Council's approach to risk management. Efforts to embed risk management into the Council's processes have continued and the Risk Management Group has helped develop a wide range of issues. An electronic risk register was procured last year and some progress made in its use. It is essential that the risks facing all services are identified and action plans developed.

A review of the Council's Risk Management Strategy is being undertaken by the Risk Management Group and data to inform that review is being gathered.

3.7 **Statement of Internal Control (SIC)**

The Accounts and Audit Regulations 2003 introduced the requirement for a formal Statement of Internal Control to be produced by the Council. The SIC for 2005/06 was considered by this Committee on 26th June, 2006. Development of the important features of SIC will continue through 2006/07 to ensure a satisfactory position is maintained in respect of all departments. Outstanding matters from 2005/06 requiring further work related to Housing Property Works value for money, establishment control systems and the new Leisure Management Information and Cash Receipting System. Good progress is being made in all these areas.

3.8 **Energy Management**

The Council's contracting arrangements for energy continue as a priority area for the Council, with the substantial increases in prices requiring an increasingly sophisticated procurement approach. Internal Audit resources are being deployed in order to ensure value for money on energy contracts. An Energy Task Group has been recently established to progress energy efficiency around the Council but there are concerns over the lack of energy monitoring activities by the Council.

4. STAFFING

- 4.1 The Audit Plan for 2006/07 was developed on the basis of 5 posts being available for the first half year, with one vacancy being filled in

September, 2006. A graduate trainee was appointed from 29th August and the Section is now fully staffed.

5. RESOURCE IMPLICATIONS

- 5.1 Whilst this report has no direct implications for resources, the Plan work undertaken could lead to additional costs or savings in relation to service provision.

6. CONSULTATION

- 6.1 The Audit Plan has been prepared and delivered following consultation with Managers around the Council.

7. OTHER MATERIAL CONSIDERATIONS :

7.1 Links to Corporate Objectives/Values

The Internal Audit activity effectively supports all services in the delivery of the Council's priorities, together with the re-inforcement of the need for accountability for public finances.

7.2 Risk Management

Much of the work undertaken by Internal Audit relates to minimizing the risk to the Council of major system problems and failure of the internal control arrangements. Activity is directed toward providing assurances on the control environment and thereby highlighting any risk issues capable of causing damage to the Council.

Audit efforts to embed good risk management practices around the Council will continue to form a significant element of work undertaken. Of course, the full co-operation of management across the Council is essential to the maintenance of good quality governance, including risk management.

7.3. Equality and Diversity

No material considerations have been identified.

7.4 Legal and Constitutional

The Audit Plan activity recognizes the statutory framework associated with services, the corporate governance framework, as well as the Council's constitutional arrangements.

7.5 Other Material Considerations

Issues associated with procurement and efficiency are addressed within a wide range of audit activities.

8. LIST OF APPENDICES

8.1 Appendix 1-Summary of Audit Work- April to September 2006

Contact Officer : Dennis McKinnell
Telephone Number : 01388 816166 Ext. 4245
E-mail address : dmckinnell@sedgefield.gov.uk

Wards: Not ward specific.
Key Decision Validation: Not Applicable.

Background Papers:

1. Overview and Scrutiny Committee 1 – 10th April, 2006 - Internal Audit Plan 2006/07
2. Audit Committee – 26th June, 2006
Statement of System of Internal Control and Corporate Governance

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Councils S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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SUMMARY OF AUDIT WORK - APRIL TO SEPTEMBER 2006

LEISURE SERVICES

Analysis of Mandays

Leisure Centres & Pools

Fishburn Swimming Pool	5.50
Bars & Catering	10.50
Ferryhill	5.75
Shildon Sunnydale	6.00
Spennymoor	5.50
Fitness Suites	2.25
General	11.0
Torex System	<u>5.00</u>
Total	<u>51.50</u>

Other Leisure Activities

Cyber Cafes	2.75
Depot Canteen	4.25
Green Lane Canteen	6.00
Locomotion Canteen	<u>0.25</u>
Total	<u>13.25</u>

Formal Audit Reports Issued

Recommendations

Rating

Ferryhill Leisure Centre	Yes	Medium/High
Depot Canteen	None	N/A
Green Lane Canteen	None	N/A
Fishburn Swimming Pool	None	N/A
Shildon Sunnydale Leisure Centre	None	N/A

Leisure Department Issues Reviewed

1.	<p>Leisure Fitness Suites</p> <ul style="list-style-type: none"> • Contribution to Competition Line regarding their staff member clarified. • Revised income reconciliation procedures, designed to ensure accuracy of income sharing with Competition Line are working well. Year-end certification no longer a problem. • Important part of the Competition Line agreement is the Minimum Income Guarantee (MIG). Data agreed to ensure the agreed value of the MIG (£353,000) to the Council is maintained in real terms. • Problems reported by other authorities in relation to risks associated with machine maintenance and induction training, have been addressed through Health and Safety Section.
2.	<p>Catering</p> <ul style="list-style-type: none"> • Contracting arrangements reviewed.
3.	<p>Gymnastics Centre</p> <ul style="list-style-type: none"> • Payment in respect of capital contribution due from Competition Line (£150,000) now received.
4.	<p>Newton Aycliffe Fitness Suite Major Redevelopment</p> <ul style="list-style-type: none"> • Need for full risk management approach to major contract work agreed.
5.	<p>Fishburn Pool</p> <ul style="list-style-type: none"> • Security issue relating to personal property reviewed.
6.	<p>Torex Information Management System</p> <ul style="list-style-type: none"> • Difficulties encountered with the new system reviewed. Initial lack of training is being addressed – system now improved.
7.	<p>Ferryhill Leisure Centre</p> <ul style="list-style-type: none"> • Inventory records require updating.
8.	<p>Risk Register</p> <ul style="list-style-type: none"> • Assistance provided to transfer identified risks into the electronic register.
9.	<p>Leisure Centre Bars</p> <ul style="list-style-type: none"> • Managers to review the operations to improve performance as trading results were below budget expectations.

NEIGHBOURHOOD SERVICES

Analysis of Man days

Concessionary Bus Passes	4.50
Concessionary TV Licences	4.00
Environmental Health Recharges	5.00
Homeless Service	2.75
Home Improvement Agency	5.75
Shop Improvement Grants	3.50
Supporting People	14.25
Vehicle Maintenance Operation	<u>5.00</u>
Total	<u>44.75</u>

Formal Audit Reports Issued

Recommendations

Rating

Homelessness	Yes	High
Home Improvement Agency	Yes	High
Supporting People	Yes	High
Concessionary Travel	Yes	High
Concessionary Travel (Follow-Up)	Yes	High
Concessionary TV Licences	Yes	High
Shop Improvement Grants	Yes	Low
Vehicle Maintenance Operation	None	N/A

Neighbourhood Services Department Issues Reviewed

1.	Homelessness <ul style="list-style-type: none">• Reconciliation processes agreed with staff in relation to income from homeless units. Control arrangements improved for energy cards.
2.	Home Improvement Agency <ul style="list-style-type: none">• Non cancellation of entries in Land Charges Register due to problems in notification of payments to the Council
3.	Supporting People <ul style="list-style-type: none">• Review of reconciliation arrangements for this service. Discrepancies between Housing and Carelink databases being resolved by managers.
4.	Concessionary Travel <ul style="list-style-type: none">• Issue arrangements differ around the County with Sedgefield requiring less proof of identity than others. Director to consider.
5.	Concessionary TV Licenses <ul style="list-style-type: none">• Reconciliation procedures reviewed to improve processing accuracy.
6.	Carelink <p>Procedural changes implemented to improve internal control arrangements.</p>
7.	Vehicle Stores <ul style="list-style-type: none">• Controls under review as some minor discrepancies identified in year-end stocktake.
8.	Shop Improvement Grants <ul style="list-style-type: none">• Review to be undertaken to ensure that properties in receipt of grant have not changed ownership within clawback period
9.	Fleet Management <ul style="list-style-type: none">• Fuel monitoring work carried out in the authority requires further development.

HOUSING SERVICES

Analysis of Man days

Contractors Final Accounts	12.50
Housing Management	8.25
Housing Recharges	7.00
Housing Rent Arrears	19.25
Portable data Capture	5.25
Redecoration Allowances	<u>7.00</u>
Total	<u>64.75</u>

<u>Formal Audit Reports Issued</u>	<u>Recommendations</u>	<u>Rating</u>
Housing Rent Arrears	Yes	High
Housing Voids	None	N/A
Portable Data Capture	None	N/A

Housing Department Issues Reviewed

1.	<p>Housing Rent Arrears</p> <ul style="list-style-type: none"> Former Tenants Arrears Policy to be developed
2.	<p>Maintenance Contracts</p> <ul style="list-style-type: none"> Zurich Municipal lift engineer's inspection reports used to confirm there is no duplication with outside contractor inspection arrangements
3.	<p>Contractor's Final Account</p> <ul style="list-style-type: none"> Contract procedures examined and reviewed. Concerns over accuracy of valuations resulted in an excess payment to a contractor. Procedure under review to eliminate risk of re-occurrence
4.	<p>Fuel Stores</p> <ul style="list-style-type: none"> Security arrangements at Depot reviewed and additional measures and monitoring implemented. Updated computer software needs identified.
5.	<p>Redecoration Allowances</p> <ul style="list-style-type: none"> Revisions to operation of scheme agreed.

CHIEF EXECUTIVE'S

Analysis of Man days

Civic Car	5.25
Land Charges	4.00
Training & Employment Services	11.50
Financial Incentives	<u>3.25</u>
Total	<u>24.00</u>

<u>Formal Audit Reports Issued</u>	<u>Recommendations</u>	<u>Rating</u>
Land Sales	Yes	High
Financial Incentives	Yes	Medium
Training & Employment Services	Yes	High/Medium
Civic Car	None	N/A
Land Charges	None	N/A

CEO Department Issues Reviewed

1.	<p>Land Sales</p> <ul style="list-style-type: none"> Delays in receiving monies under a joint disposal arrangement
2.	<p>Financial Incentives</p> <ul style="list-style-type: none"> Type of start-up businesses receiving incentive grants reviewed as limited funds available to continue scheme.
3.	<p>Training and Employment Services</p> <ul style="list-style-type: none"> Reconciliation issues between grant claims and General Ledger progressed.

RESOURCES DEPARTMENT

Analysis of Mandays

Income Audits

Collection Section	5.25
Emergency Receipts	2.25
Postal Remittances	5.25

General Audits

Bailiff Services	5.25
Capital Receipts	4.25
Car Leasing	6.75
Cheque Production	6.00
Financial checks	11.50
Imprests & Floats	0.50
Insurances	1.75
Parish Recharges	5.25
Petty Cash	0.50
VAT	7.25

System Audits

ICT	4.75
Accounts Payable	5.75
Accounts Receivable	1.25
Payroll	9.25
Business Rates	5.75
Treasury Management	<u>0.75</u>
Total	<u>89.25</u>

Formal Audit Reports Issued

	<u>Recommendations</u>	<u>Rating</u>
Accounts Receivable System	Yes	High
Capital Accounting & Receipts System	Yes	High
VAT	Yes	Low
Postal Remittances	None	N/A
Payroll System	None	N/A
Car Leasing	None	N/A
Petty Cash	None	N/A
Bailiff Services	None	N/A
Emergency Receipts	None	N/A
Parish Recharges	None	N/A

Resources Department Issues Reviewed

1.	Accounts Receivable System <ul style="list-style-type: none">• Participation in credit managers meetings to improve debt collection processes
2.	Capital Accounting & Receipts System <ul style="list-style-type: none">• Access to the Capital Assets Register to be reviewed and amended• Procedure and System Notes to be prepared for the Capital Accounting System
3.	VAT <ul style="list-style-type: none">• De-Minimus limit to be reviewed
4.	Accounts Payable <ul style="list-style-type: none">• Control arrangements to prevent duplicate payments to creditors.
5.	Housing Benefit <ul style="list-style-type: none">• Recovery arrangements on overpaid benefit have been revised.
6.	Information Technology <ul style="list-style-type: none">• Audit Commission risk assessment to be used as basis of I.T. audit work.
7.	Cheques Stationery <ul style="list-style-type: none">• Availability of alternative suppliers of blank cheque stationery is being investigated.
8.	Computer Audit <ul style="list-style-type: none">• County Durham Authorities are to re-start a working group to develop further computer interrogation software. Latest version of software acquired
9.	Investments <ul style="list-style-type: none">• Undue delay by one institution to confirm level of investments by the Council at 31st March 2006

CORPORATE SERVICES

Analysis of Mandays

Corporate Governance	9.75
Data Quality	1.00
Energy Management	8.00
NFI data Matching	0.25
Risk Management	20.25
Fuel Stores	2.25
Standing Orders	0.50
Statement of Internal Control	<u>3.00</u>
Total	<u>45.00</u>

Formal Audit Reports Issued

Recommendations

Rating

None

N/A

N/A

Corporate Services Issues Reviewed

1.	<p>Officer Interests/Hospitality</p> <ul style="list-style-type: none"> New arrangements recently implemented in an attempt to ensure the completeness of the Register.
2.	<p>Audit Customer Satisfaction Surveys</p> <ul style="list-style-type: none"> On-going consultations with managers around Council. No major concerns reported.
3.	<p>Procurement</p> <ul style="list-style-type: none"> Progress being made towards a new set of Contract Procedure Rules as part of the Council's Constitution.
4.	<p>Electronic Tendering System</p> <ul style="list-style-type: none"> Increasing use of system anticipated following appointment of Procurement Officer.
5.	<p>Establishment Control</p> <ul style="list-style-type: none"> Revised processes to enhance the control of staffing issues have been progressed.
6.	<p>Electricity Contract</p> <ul style="list-style-type: none"> Major suppliers expressing doubts on availability of renewable electricity. Even if available, will be potentially at a substantial extra cost to the Council.

Audit Policy and Management Arrangements

<u>Chargeable Management</u>	<u>Mandays</u>
Audit planning	22.75
Audit management & Supervision	5.75
District Audit Liaison	0.75
All Departments Miscellaneous	4.00
Development & Awareness	<u>27.75</u>
Total	<u>61.00</u>

<u>Non Chargeable Management</u>	
Time Management System	11.25
Training - In-house	2.00
Training – external	1.00
Staff Development	1.00
Manager & other staff meetings	10.75
Audit Sub Groups	<u>4.00</u>
Total	<u>30.00</u>

Total Number of Mandays during Period

Leisure	64.75
Neighbourhood Services	44.75
Housing	64.75
Chief Executives	24.00
Resources	89.25
Corporate	45.00
Audit Policy & Management	<u>91.00</u>
	<u>423.50</u>

Item 8

AUDIT COMMITTEE

30 OCTOBER 2006

REPORT OF THE HEAD OF FINANCIAL SERVICES

PORTFOLIO: COMMUNITY HEALTH

HOUSING BENEFIT FRAUD REPORT-April to September 2006

1. SUMMARY

The purpose of the Report is to review the results of investigating allegations of Housing and Council Tax benefit fraud during the period April to September 2006.

2. RECOMMENDATIONS

- To note the progress in investigating alleged benefit fraud during the first half of the current financial year.
- That a further report be presented to the Audit Committee in April 2007

3. BACKGROUND

Sedgefield Borough Council is committed to preventing and detecting fraud. The Council recognises that benefit fraud in particular is difficult to prevent and subsequently detect, without the assistance of the public and data matching with other agencies.

A reduction in the level of fraud remains one of the Benefits Section key priorities.

A dedicated Housing Benefit Fraud Team form an important part of the Council's Benefit Services consisting of the following Officers

Senior Benefits Officer (Fraud and Investigations)
Investigations Officers (2)
Intervention Officers (2)
Clerical Assistant

A Housing Benefit Anti-Fraud Policy has been introduced to ensure a consistent and rigorous approach is followed to prevent and detect fraud.

As well as ensuring that arrangements are made to ensure that the overpayments will be recovered, the Policy states that specific outcomes, known as sanctions, can be imposed on claimants who have submitted fraudulent benefit claims.

There are a number of different sanctions available to the Council following a successful investigation namely :-

- Prosecution
- Issue of a formal caution
- Issue of an administration penalty (fine)

4. OUTCOME OF INVESTIGATIONS

During the first six months of the current financial year, the investigations team has investigated 296 cases of potential fraud following the receipt of data matching information from other agencies and tip offs/allegations from the public, mainly using the Benefits Fraud Hot Line (0800 783 0050).

In respect of 227 of the cases investigated, sufficient evidence was obtained to confirm that a total value of £194,628 fraudulent overpayments had been made.

These investigations have resulted in the issue of 11 sanctions, including 3 prosecutions, 6 cautions and 2 administration penalties as shown in Appendix A and arrangements have been made to recover the overpayments from all of the claimants.

The types of fraud being committed included undeclared tax credits, claiming income support or job seekers allowance when working, couples living together but claiming to be in a single person household, non residencies and undeclared income

5. RESOURCE IMPLICATIONS

It is estimated that the Council will grant approximately £31m housing benefits during the current financial year and will be able to claim all of that sum from the Department of Works and Pensions (DWP).

Unfortunately local authorities no longer receive any financial incentives from the Department of Works and Pensions to detect fraud. The rewards for issuing sanctions had previously been used to generally support the benefit service and the reduction in income from the DWP was taken into account in the setting of the budget for the current financial year. Every effort will continue to be made to prevent and detect fraud despite the withdrawal of the incentives

The amount of benefit fraud identified during the first half of the current financial year represents less than 1.2% of the total value of benefits granted during that period.

6. CONSULTATION

The Council is regularly in discussions with other agencies and other local authorities to consider best practice in the prevention and detection of fraud.

OTHER MATERIAL CONSIDERATIONS

7. LINKS TO CORPORATE OBJECTIVES/VALUES

The prevention and detection of housing benefit fraud meets the Council's Corporate Values of

- Being responsible with and accountable for public finances
- Taking into account crime

8. RISK MANAGEMENT

It is important that adequate and suitable arrangements are made to prevent the risk of fraudulent claims being made against the Council.

9. HEALTH AND SAFETY

Arrangements are made to minimise the risk to the health and safety of Officers when carrying out their investigations.

10. EQUALITY AND DIVERSITY

The present Policy is under review following the introduction of new legislation to prevent age discrimination

11. LEGAL AND CONSTITUTIONAL

See above

12. CRIME AND DISORDER

It is important that the Council makes reasonable arrangements to detect and prevent fraudulent Housing Benefit claims being made.

Contact Officer: Andrew Hunter, Senior Benefits Officer(Visiting and Investigations)
Telephone No.: (01388) 824106
E-Mail Address: ahunter@sedgefield.gov.uk

Ward(s): Not Ward Specific

Key Decision Validation: Not a key decision

Background Papers: None

Appendices Appendix A-Sanctions undertaken April to September 2006

Examination by Statutory Officers:

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input type="checkbox"/>	<input type="checkbox"/>
4. Management Team has approved the report.	<input type="checkbox"/>	<input type="checkbox"/>

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APPENDIX A

Prosecutions completed April 2006 – September 2006					
Investigation Case Reference no	Fraud Type	Fraudulent Overpayment £	Court sentence	Comment	
46381	Undeclared working tax and child tax credit	1586.48	Community order for 6 months linked with a citizenship module	Recovery from ongoing entitlement to Housing Benefit at rate of £3.83 per week.	
46276	Undeclared working tax and child tax credit	4776.85	Community order for 12 months linked with a citizenship module	Invoice issued but no arrangement made yet.	
57687	Undeclared wages increase	1550.05	Fined £100 and court costs of £100	Final invoice issued but no arrangement made yet.	

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**Cautions, Administrative Penalties Issued
April 2006 – September 2006**

Case Number	Fraud Type	Overpayment £	Comment
55353	Increase in child tax credit	517.82	Claimant cautioned
60080	Jobseekers allowance ended and started work	445.09	Claimant cautioned
57847	Jobseekers allowance ended and started work	309.06	Claimant cautioned
62481	Jobseekers allowance ended and started work	805.50	Claimant cautioned
24154	Undeclared working tax credit	592.47	Claimant cautioned
24503	Jobseekers allowance ended and started work	1168.19	Claimant received administrative penalty
47252	Undeclared working tax credit	1361.49	Claimant received administrative penalty
53208	Jobseekers allowance ended and started work	537.74	Claimant cautioned

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