

# 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 19<sup>th</sup> 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 11<sup>th</sup> 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 29<sup>th</sup> March 2005, had scheduled 812 audit mandays for the period 1<sup>st</sup> April 2005 to 31<sup>st</sup> 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 30<sup>th</sup> 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 31<sup>st</sup> 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.*

**ACCESS TO INFORMATION**

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Any person wishing to exercise the right of inspection, etc., in relation to these Minutes and associated papers should contact Mrs. Gillian Garrigan, Spennymoor 816166 Ext 4240 [ggarrigan@sedgefield.gov.uk](mailto:ggarrigan@sedgefield.gov.uk)

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