

# Item 3

## SEDGEFIELD BOROUGH COUNCIL

### AUDIT COMMITTEE

Conference Room 1,  
Council Offices,  
Spennymoor

Monday,  
29 January 2007

Time: 6.00 p.m.

**Present:** Councillor M.A. Dalton (Chairman) and  
Councillors Mrs. A.M. Fleming, B.M. Ord and Mrs. C. Potts  
B. Argyle (Independent Member)

**Apologies:** Councillors Mrs. K. Conroy and J.M. Smith

**AC.21/06 DECLARATIONS OF INTEREST**  
Members had no interests to declare.

**AC.22/06 MINUTES**  
The Minutes of the meeting held on 30<sup>th</sup> October 2006 were confirmed as a correct record and signed by the Chairman.

**AC.23/06 DATA QUALITY ARRANGEMENTS FEEDBACK**  
The Committee considered a report prepared by the Audit Commission, which summarised feedback from its review of the Council's corporate management arrangements for data quality. (For copy see file of Minutes).

Catherine Andrew of the Audit Commission presented the report.

Members noted that the Commission's approach to the audit had been significantly changed for the reasons detailed in section 3 of the report.

The Commission's work on data quality had been undertaken in the following three stages:

- **Stage 1 – Management Arrangements**  
The assessment of the Council's corporate management arrangements for data quality using Key Lines of Enquiry (KloE's) developed by the Audit Commission.  
  
The work related specifically to the arrangements for monitoring and reviewing performance, including arrangements to ensure data quality.
- **Stage 2 (Completeness Check)**  
The review of queries on individual BVPIs submitted to the Audit Commission by the Council.

The number and extent of those queries had been determined by the Audit Commission following its review of data nationally.

- **Stage 3 (Data Quality Spot Checks)**

The detailed audit of individual BVPIs.

The number of BVPIs selected for review had been determined by the outcomes of Stages 1 and 2 and had been selected from a list developed by the Audit Commission.

The Committee's attention was drawn to the main conclusions of the review and the Action Plan detailed in Appendix 4.

Members noted that an overall data quality policy had been drafted, however, it had not yet been submitted to the Council's Management Team for consideration.

It was pointed out that the report was very positive and Sedgefield Borough, when compared with the other District Councils in the County, came out very well.

*RESOLVED : That the report be received.*

#### **AC.24/06**

#### **AUDITOR'S REPORT ON THE BEST VALUE PERFORMANCE PLAN**

The Committee considered a report prepared by the Audit Commission regarding the audit undertaken in respect of the Council's Best Value Performance Plan in accordance with section 7 of the Local Government Act 1999 and the Audit Commission's statutory Code of Audit Practice. (For copy see file of Minutes).

Catherine Andrew presented the report.

Members noted that the Audit Commission had not identified any matters to report to the authority or any recommendations on procedures in relation to the Plan.

*RESOLVED : That the report be received.*

#### **AC.25/06**

#### **YOUR BUSINESS @ RISK SURVEY**

The Committee considered a report prepared by the Audit Commission regarding the above. (For copy see file of Minutes).

Catherine Andrew presented the report.

It was explained that the Audit Commission in partnership with Sedgefield Borough Council had undertaken an on-line survey in mid-September 2006. The survey was designed to help organisations to:

- Raise awareness of the risks associated with increasing the use of technology.
- Gauge the level of knowledge within the organisation of such risks.

- Highlight areas where risks were greatest
- Take positive action to reduce risks

Appendix 1 to the report provided a summary of the survey questions and the results of the Council.

Members noted that overall the results of the survey were positive. In most areas the Council's users scored highly and better than the national average. The main areas highlighted by the survey requiring further improvements/improved procedures were:

- Absence of IT policies, for example, information, security and e-mail
- Business continuity arrangements
- Promoting the anti-fraud strategy
- Knowledge of key areas of relevant legislation

Specific reference was made to paragraph 8 of the report, which set out the Commission's recommendations.

It was noted that officers had accepted the recommendations in principle and were to improve awareness within the Council to ensure that the suggested policies and procedures were developed.

*RESOLVED : That the report be received.*

## **AC.26/06**

### **RISK MANAGEMENT PROGRESS REPORT 2006**

The Committee considered a report of the Director of Resources detailing progress made in developing risk management within the Council. (For copy see file of Minutes).

It was reported that effective risk management was widely acknowledged as an essential element of quality corporate governance and should be an integral part of an organisation's processes and culture. The requirements of the Comprehensive Performance Assessment and the Statement of Internal Control necessitated a strong risk management culture.

Specific reference was made to the CIPFA/SOLACE report entitled, "Corporate Governance in Local Government – A Keystone for Community Governance" which stated that every organisation needed to:

- Develop and maintain robust systems for identifying and evaluating all significant risks, which affect the planning and delivery of services.
- Put in place effective risk management systems, including systems of internal control and an internal audit function.
- Ensure that services were delivered by trained and experienced people.
- Have effective arrangements for an objective review of risk management and internal control, including internal audit.
- Maintain an objective and professional relationship with external

auditors and inspectors.

- Publish a relevant annual report on risk management and internal control mechanisms and their effectiveness.

Members noted that a number of the above good practices had been well established within the Council for many years, however, the continuing development of risk management was essential to achieving a strong governance position.

It was pointed out that the Risk Management Group had been re-established in 2004 as an officer group, reporting to the Strategic Leadership Group. The Group considered a wide range of risk management items including health and safety issues.

Specific reference was made to Section 5 of the report, which detailed the main areas of risk management activity around the Council.

Members expressed general satisfaction with the effectiveness of the risk management arrangements around the Council and with the initiatives undertaken by the Risk Management Group. They also recognised the importance of the corporate development areas, aimed at ensuring a comprehensive approach to the identification of risks and actions to minimise such risks. The Committee therefore considered that:

- a) The Council's electronic risk register was a valuable tool to properly ensure that risks can be managed effectively. All services of the Council must further develop the initiative.
- b) All significant projects to enhance service delivery must be risk assessed using the Risk Matrix procedure developed by the Risk Management Group. Some projects had been satisfactorily assessed in this way, but it was important that the concept was adopted across all areas of the Council.
- c) The Council's statutory Statement of Internal Control was an important position statement covering various governance issues affecting the Council, including financial control, performance management and risk. All areas of internal control must be maintained at a high level and efforts must continue to ensure that unqualified statutory assurance statements can be made.

- RESOLVED :*
- 1. That the report be noted.*
  - 2. That the Committee informs Cabinet of its findings on the effectiveness of the Council's risk management arrangements.*
  - 3. That an annual review of the risk management arrangements be undertaken by the Audit Committee.*

**AC.27/06****TREASURY MANAGEMENT STRATEGY 2007/08**

The Committee considered a report of the Director of Resources detailing the Treasury Management Strategy for 2007/08. (For copy see file of Minutes).

It was explained that the report outlined the strategy to be followed by the Council over the medium term in relation to its treasury management activities, which took account of guidance on investments issued by the DCLG and the Prudential Code for Capital Finance in Local Authorities.

The strategy covered the existing Treasury position, the anticipated movement in interest rates, the Council's borrowing, debt strategy and investment strategy as well as local treasury management indicators.

- RESOLVED :*
1. *That Cabinet be recommended to make the following proposals to Council:*
    - *To approve the Treasury Management Strategy 2007/08.*
    - *To approve the Investment Strategy 2007/08.*
    - *To adopt the Prudential Indicators and Limits 2007/08 to 2009/10*
    - *To approve the "Authorised Limit" for borrowing as shown in Appendix B to the report.*

**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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