

# Item 3

## SEDGEFIELD BOROUGH COUNCIL

### AUDIT COMMITTEE

Conference Room 1,  
Council Offices,  
Spennymoor

Monday,  
25 June 2007

Time: 6.00 p.m.

**Present:** Councillor D. Chaytor (Chairman) and

Councillors T. Brimm, J.G. Huntington, C. Nelson, Mrs. C. Potts and  
B. Stephens

B. Argyle (Independent Member)

**AC.1/07      DECLARATIONS OF INTEREST**

Members had no interests to declare.

**AC.2/07      MINUTES**

The Minutes of the meeting held on 23<sup>rd</sup> April 2007 were confirmed as a correct record and signed by the Chairman. (For copy see file of Minutes).

**AC.3/07      ROLE AND FUNCTION OF THE AUDIT COMMITTEE**

Consideration was given to a report of the Director of Resources 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 the Council be noted.*

**AC.4/07      AUDIT AND INSPECTION PLAN 2007/08**

Consideration was given to as report setting out the Audit and Inspection work to be undertaken by the Audit Commission during 2007/2008. (For copy see file of Minutes).

Sarah Diggle and Paul Hepple of the Audit Commission were in attendance to present the report.

It was explained that the Plan had been drawn up from a risk-based approach to audit planning and reflected :-

- Audit and inspection work specified by the Audit Commission for 2007/08.
- Current national risks relevant to local circumstances.
- Local risks and improvement priorities.

The report identified the responsibilities of the Audit Commission and provided a summary of inspection activity.

Specific reference was made to the Direction of Travel Assessment. It was explained that although Local Government Review was ongoing, the quality of service provided by Sedgefield Borough Council must be maintained.

It was brought to Members attention that in 2007/08 there would be changes in the Audit Commissions planned work as the Audit Commission was now required to review and report on the Whole of Government Account (WGA) and the National Fraud Initiative.

Specific reference was made to the Audit and Inspection Fee. Concern was expressed that the total indicative fee for Audit and Inspection work included in the Audit and Inspection Plan for 2007/08 was £116,310 compared with the planned fee of £105,000 for 2006/07.

It was explained that the increase in fees was as a result of inflation and the changes to the Audit Commission's planned work. The Audit Commission offered a fee formula which indicated that the fee for Sedgefield Borough Council was 8% below the scale fee.

*RESOLVED : That the Audit and Inspection Plan be noted.*

#### **AC.5/07**

#### **INTERNAL AUDIT SERVICE - ANNUAL REPORT 2006/07**

Consideration was given to a report of the Director of Resources 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 on the Director of Resources, as 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 by Overview and Scrutiny Committee 1 at its meeting on 10<sup>th</sup> April, 2006 had scheduled 915 man days, however, a total of 909 days had actually been achieved.

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

- RESOLVED :*
- 1. That the report on the Internal Audit Service in 2006/07 be noted.*
  - 2. That half yearly reports for 200/08 be reported to the appropriate meeting of Audit Committee.*
  - 3. That any relevant audit matters be reported to quarterly meetings of Audit Committee.*

**STATEMENT ON THE SYSTEM OF INTERNAL CONTROL AND CORPORATE GOVERNANCE 2006/07**

Consideration was given to a report of the Director of Resources 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 firm 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 on the effectiveness of its System of Internal Control.

Member's attention was drawn to the Statement on the System of Internal Control and Corporate Governance for the 2006/07 financial year which had been attached at Appendix 1 to the report.

It was explained that in accordance with 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

In response to a Member's question regarding the procurement of fuel supplies, it was explained that the Council was an Associate Member of the North East Purchasing Organisation (NEPO).

From 1<sup>st</sup> April 2007 the Council had participated in NEPO's gas contract. This had enabled the Council to benefit from flexible purchasing which reduced purchasing costs. The Council would also participate in NEPO's electricity contract as from 1<sup>st</sup> October 2007.

- RECOMMENDED :**
1. *That Council approves the Statement of Internal Control and Corporate Governance 2006/07 as detailed at Appendix 1 of the report.*
  2. *That the Chief Executive and Leader of the Council approve and sign the Statement.*
  3. *That the Statement be incorporated into the Statement of Accounts for the 2006/07 financial year.*

**AC.7/07****STATEMENT OF ACCOUNTS (FOR YEAR ENDED 31ST MARCH 2007)**

Consideration was given to a report of the Director of Resources regarding the Statement of Accounts for the year ended 31<sup>st</sup> March 2007 which had been circulated at the meeting. (For copy see file of Minutes).

The report 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.

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 2007 prior to their publication and the formal signing off by the District Auditor.

Members were given details of the outturn financial position for the two principle revenue accounts that the Council maintained: -

- General Fund
- Housing Revenue Account

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 2007/2008.

Consideration was also given to a report prepared by the Accountancy Services Manager setting out a number of changes to the form and structure of the Annual Statement of Accounts which applied to the 2006/07 statements and beyond.

The main significant changes set out in the report were as follows: -

- Change in format and structure
- Abolition of capital financing charges
- Replacement of the consolidated revenue account with a new income and expenditure account
- A new statement of movement on the General Fund balance
- Replacement of the Statement of Total Movement in Reserves with a new Statement of Total Recognised Gains and Losses
- Statement of Internal Control

As the Statement of Accounts was a lengthy document it was proposed that detailed consideration of the item be deferred until Friday 29<sup>th</sup> June 2007 to allow Members time to read the document.

*RESOLVED : That detailed consideration of the item be deferred until Friday 29<sup>th</sup> June 2007 to allow Members time to read the Statement of Accounts 2006/07.*

**AC.8/07****ANNUAL REVIEW OF TREASURY MANAGEMENT 2006/07**

Consideration was given to the Director of Resources Annual Review of Treasury Management 2006/07, the purpose of which was to review the performance of the Council's Treasury Management activities during

2006/07 financial year. (For copy see file of Minutes).

The Council had maintained the level of debt in line with its capital financing requirement. It had also achieved a satisfactory return on its investments during 2006/07 financial year whilst operating within the approved borrowing limit.

The report confirmed that the Treasury Management activities undertaken during 2006/07 met all of the strategic aims and objectives set by Council.

*RESOLVED : That the content of the Annual Review of Treasury Management be noted.*

**AC.9/07 PROPOSED TRAINING ARRANGEMENTS FOR MEMBERS OF THE COMMITTEE**

Consideration was given to a report of the Director of Resources seeking approval to arrange appropriate training for Members of the Audit Committee in conjunction with the Chair and Vice-Chair of the 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 roles and functions of the Committee.

Member's attention was drawn to a list of potential training areas which was attached at Appendix 1 to the report.

*RESOLVED : That appropriate officers of the Council and the Audit Commission arrange for suitable training to be provided in conjunction with the Chair and Vice-Chair of the Committee.*

The meeting adjourned at 7.40 p.m.

The meeting re-convened at 9.30 a.m. on 29<sup>th</sup> June 2007 with the following Members present:

Councillors D. Chaytor, J.G. Huntington, C. Nelson and B. Stephens

**AC.10/07 STATEMENT OF ACCOUNTS (FOR YEAR ENDED 31ST MARCH 2007)**

Consideration was given to the Statement of Accounts 2006/07, which had previously been circulated. (For copy see file of Minutes).

It was explained that since the circulation of the accounts, the Income

and Expenditure Account had been amended. A copy of the amended Income and Expenditure Account was circulated at the meeting.

It was noted that the changes related to the format of the report and analysis of the figures.

Detailed discussion took place in relation to the Local Government pension deficit. It was explained that measures were already in place designed to improve the situation. These would be reviewed by the Actuary as part of the upcoming tri-annual review. It was also explained these changes were being made by the Government to the scheme to protect future viability.

**RECOMMENDED :**                    *That the Council approves the Statement of Accounts for year ended 31<sup>st</sup> March 2007.*

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**ACCESS TO INFORMATION**

Any person wishing to exercise the right of inspection, etc., in relation to these Minutes and associated papers should contact Mrs. Lynsey Walker Spennymoor 816166 Ext 4237 [lwalker@sedgefield.gov.uk](mailto:lwalker@sedgefield.gov.uk)