

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 1,
Council Offices,
Spennymoor

Monday,
5 November 2007

Time: 6.00 p.m.

Present: Councillor D. Chaytor (Chairman) and
Councillors J.G. Huntington, Mrs. C. Potts and B. Stephens
B. Argyle (Independent Member)

In attendance: Councillor Mrs. E. Maddison

Apologies: Councillors T. Brimm and C. Nelson

AC.13/07 DECLARATIONS OF INTEREST
Members had no interests to declare.

AC.14/07 MINUTES
The Minutes of the meetings held on 25th June and 28th September 2007 were confirmed as correct records and signed by the Chairman.

AC.15/07 INTERNAL AUDIT SERVICE - REPORT FOR HALF YEAR ENDED 30TH SEPTEMBER 2007

Consideration was given to a report of the Director of Resources regarding the above. (For copy see file of Minutes).

Members were reminded that the Internal Audit Plan for 2007/08 had been considered and approved by the Audit Committee at its meeting on 23rd April 2007 (Minute No. AC.32/06 refers).

The report dealt with the first six months of audit activities, including the progress against the planned work and information on related areas of corporate governance.

It was explained that the plan scheduled a total of 911 man days for the full year, with a first half year performance of 431 days. The Appendix to the report showed that a total of 377.5 days had been achieved for the first six months. The slight shortfall was the result of a staff vacancy during the year.

Progress on the areas of work requiring the continued involvement of the Internal Audit staff were outlined as follows:

Regularity Audit

The programme of regularity audit for the half year, which formed the

core of the Audit Plan, had been substantially completed. There had been 37 formal audit reports issued during the period, with 15 confirming that satisfactory arrangements were in place. With regard to the 22 reports issued where recommendations had been made, there were 32 recommendations classified as being of 'high importance' and 6 of 'medium importance'.

All recommendations had been made following detailed discussions and with the agreement of the appropriate service managers.

Corporate Governance

It was reported that revised contract procedure rules had been formally adopted by the Council at its meeting in July 2007. Compliance with the revised rules was a necessary feature of good governance arrangements and audit work would be scheduled to ensure that the Council operated within the requirement of the new rules.

Specific reference was made to recent guidance issued by CIPFA/SOLACE regarding the recommended best practice on governance in Local Government. The content of the new guidance was currently being examined with a view to revising, if necessary, the Council's Local Code of Corporate Governance to reflect best practice.

Financial Management

It was noted that the system continued to be developed and enhanced to provide high quality and timely budgetary information to all managers.

Risk Management

Internal Audit continued its close involvement in the development of the Council's approach to risk management. A review of the Council's Risk Management Policy and Strategy Statement had been undertaken by the Risk Management Group and the documents had been amended to take account of changes to the Council's corporate aims as well as other amendments arising from the progress report, previously considered by the Audit Committee. Cabinet had subsequently approved the revised policy and strategy at its meeting on 26th April 2007 (Minute CAB. 207/06 refers)

Statement on the System of Internal Control and Corporate Governance

Audit work on the System of Internal Control had now been concluded for 2006/07 and an unqualified opinion had been issued by the External Auditor.

Energy Management

The Council's energy contracting arrangements had now been consolidated via the North East Purchasing Organisation (NEPO) ensuring that value for money continued to be realised from the sophisticated energy market place.

Staffing

The Committee noted that the Audit Plan for 2007/08 allowed for 5.5 persons to deliver the work.

Reference was made to the fact that the Audit team was currently operating with a vacancy at the Trainee Auditor level and a second trainee had recently secured a job at a neighbouring authority and would be leaving at the end of November.

Specific reference was made to Local Government Review and the impact on staffing as individuals look for more secure positions at organisations not affected by restructuring. It was, however, pointed out that there would be a lot of work in winding down Sedgefield Borough Council and setting up the new Council and that the demands on the Audit Team would actually be higher over the next 17 months to deal with control and governance issues.

Staffing arrangements were currently being reviewed to ensure that the Internal Audit function continued to maintain the standard of service and that appropriate staffing was in place to carry out the work contained in the Plan. Staff would always endeavour to undertake the high and medium priority work and consideration would be given to the appointment of temporary staff if necessary to maintain the service provided.

It was noted that the Local Government and Public Involvement in Health Act had received Royal Assent on 30th October 2007 and the County Durham Draft Implementation Orders had been published. The Orders would be debated in the House of Commons and House of Lords in December and it was expected would be implemented early 2008.

- RESOLVED:*
1. *That the half yearly progress report be received.*
 2. *That a full year report be considered at the appropriate future meeting of Audit Committee.*

AC.16/07 COUNTER FRAUD AND CORRUPTION

Azhar Rafiq, Audit and Resources Manager, gave a presentation regarding the above.

A copy of the presentation slides was circulated at the meeting. (For copy see file of Minutes)

The presentation covered the following:

- Definition of Fraud and Corruption
- Impact of Fraud
- Who Commits Fraud
- Conditions for Fraud to Exist
- What drives Fraud/Fraud Triangle Motivation/Opportunity/Rationalisation
- Responsibility for Managing Fraud
- Management Controls
- Role of Internal Audit
- Managing the Risk of Fraud

Members welcomed the presentation and stated that they found it very interesting.

AC.17/07 COUNTER FRAUD AND CORRUPTION - SELF ASSESSMENT ACTION PLAN

Consideration was given to a report of the Director of Resources regarding the above. (For copy see file of Minutes).

It was explained that Council had first developed a Counter Fraud and Corruption Strategy in December 2001 which detailed the importance the Council placed on probity, financial control and honest administration.

It was reported that CIPFA had recently issued a document entitled, "Managing the Risk of Fraud" which contained guidance on dealing with fraud and corruption at a strategic level.

The guidance covered a broad range of activities including:

- Section 1 – Adopting the right strategy – key elements of a strategic approach
- Section 2 – Accurately identifying the risks – measuring fraud and corruption issues
- Section 3 – Creating and maintaining a strong structure – having the necessary authority and support
- Section 4 – Taking action to tackle the problem – taking the full range of actions and integrating different strands
- Section 5 – Focusing on outcomes and not merely activity.

Members noted that the Council's Internal Audit Section had conducted a self-assessment against CIPFA's guidance and details of the assessment were detailed in Appendix 1 to the report.

The Committee's attention was drawn to the eight actions required.

Specific reference was made to the employment of staff and what measures were in place to try and safeguard the Council against fraud. It was noted that the Council always sought references before appointing staff and it was currently reviewing its policy/procedure with regard to CRB checks.

Reference was also made to housing benefit fraud. It was pointed out that the Council had adopted the verification framework to process housing benefit applications, which required the production of supporting documentary evidence thereby reducing the opportunities for fraud.

The Committee requested that if an officer responsible for processing housing benefit applications, notified the Council's Investigations Officer of a possible fraudulent claim, he/she should always receive feedback on any investigation undertaken.

RESOLVED : 1. *That the proposals to take forward the results of a self assessment against CIPFA's checklist on*

dealing with fraud and corruption at a strategic level be noted.

2. *That a further report be considered by Audit Committee detailing progress made at an appropriate time in the future.*

AC.18/07 TRAINING EVENT - EASINGTON - 3RD OCTOBER 2007

The Chairman gave a report on the training event held at Easington Council offices on 3rd October 2007 which had been attended by four Members of the Audit Committee and three officers of the Audit Team.

It was noted that Members had found the training worthwhile.

ACCESS TO INFORMATION

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