

Item 3

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 1,
Council Offices,
Spennymoor

Monday,
28 January 2008

Time: 6.00 p.m.

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

Apologies: Councillor T. Brimm

AC.19/07 DECLARATIONS OF INTEREST
Members had no interests to declare.

AC.20/07 MINUTES
The Minutes of the meeting held on 5th November 2007 were confirmed as a correct record and signed by the Chairman.

AC.21/07 RISK MANAGEMENT PROGRESS REPORT 2007
The Committee considered a report of the Director of Resources detailing progress made in developing risk management within the Council during 2007. (For copy see file of Minutes).

It was explained 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.

Specific reference was made to the CIPFA/SOLACE report entitled, "Corporate Governance in Local Government – A Keystone for Community Governance" in which risk management and internal control were specifically referred to as one of the major dimensions of effective governance.

It was also pointed out that CIPFA/SOLACE had recently revisited the framework to more comprehensively reflect the change in the environment. Risk Management was now specifically identified within the revised framework as follows:

- Core Principle – The authority took informed and transparent decisions, which were subject to effective scrutiny and managing risk.
- Supporting Principle – Ensuring that an effective risk management system was in place.

- Requirement To – Ensure that risk management was embedded into the culture of the authority, with members and managers at all levels recognising that risk management was part of their jobs.

Members' attention was drawn to Section 5 of the report, which detailed the significant areas of risk management activity, which were considered by the Council's Risk Management Group.

With regard to the Statement of Internal Control and Comprehensive Performance Assessment, it was noted that effect from April 2008, the existing requirements were being replaced with the production of a new Statement of Corporate Governance. Guidance on delivering good governance had been produced by CIPFA/SOLACE and the guidance was currently being assessed to identify any areas where further development by the Council was needed.

A question was raised on what progress was being made regarding the harmonisation of risk management policies and financial systems for the new unitary authority. It was reported that high level Programme Boards had been established covering all aspects of the current authorities roles. Workstreams reporting to the boards, would be developing processes and policies for the new Council. An Audit, Risk and Governance Sub-Group had also been established, which had met for the first time on Friday 25th January 2008. The Sub-Group would report back to the Finance Workstream.

Members expressed their satisfaction with the effectiveness of the risk management arrangements around the Council and the initiatives being currently being undertaken by the Risk Management Group. They recognised that further development of the Corporate Risk Management areas of the Governance Framework, together with further progress on strategic risk, were crucial to future assessments of the quality of corporate governance.

The Committee therefore considered that:

- a) Development of the Council's electronic risk register and Generic Risk Profiles should continue in all departments.
- b) The Risk Prioritisation Matrix technique for assessing and addressing risks, as developed by the Risk Management Group, should continue to be the key approach to risk assessment within the Council.
- c) Progress must continue in the development of appropriate risk management responses to the major Strategic Risks facing the Council.

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.22/07 TREASURY MANAGEMENT STRATEGY 2008/09

The Committee considered a report of the Director of Resources detailing the Treasury Management Strategy for 2008/09. (For copy see file of Minutes).

It was explained that the report outlined the strategy to be followed by the Council over the 2008/09 financial year in relation to its Treasury Management activities and took into account guidance on investments issued by the Department of Communities and Local Government (DCLG) and the Prudential Code for Capital Finance in Local Authorities.

The Strategy covered the existing Treasury position, anticipated movement in interest rates, the Council's borrowing and debt strategy, investment strategy as well as Local Treasury Management Indicators.

RESOLVED : That Cabinet be recommended to make the following proposals to Council:

- *To approve the Treasury Management Strategy for 2008/09;*
- *To approve the Investment Strategy for 2008/09;*
- *To adopt the Prudential Indicators and Limits for 2008/09;*
- *To approve the 'Authorised Limit' for borrowing as shown in Appendix B attached to the report.*

AC.23/07 REVIEW OF THE AUDIT CHARTER

The Committee considered a report of the Director of Resources regarding the above. (For copy see file of Minutes).

It was reported that the Council's existing Charter had been recently reviewed to take account of relevant aspects of the Accounts and Audit Regulations 2003, that were updated in 2006, and the updated CIPFA Code of Practice.

Members noted that it was the responsibility of management and not Internal Audit to ensure that appropriate controls were introduced, managed and maintained for all systems. Internal Audit should have no responsibility for the operations that it audits, over and above the provision of recommendations and advice to management regarding systems and controls.

It was also pointed out that the scope for Internal Audit allowed for unrestricted coverage of all the Council's activities and unrestricted access to all records as were deemed necessary in the course of the audit.

It was also noted that the Audit and Resources Manager had direct access to all levels of management, all employees and all elected members, particularly those charged with governance.

RESOLVED : That the Audit Charter attached to the report be approved.

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