

# Item 3a

## SEDGEFIELD BOROUGH COUNCIL

### AUDIT COMMITTEE

Conference Room 2,  
Council Offices,  
Spennymoor

Tuesday,  
15 April 2008

Time: 5.30 p.m.

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

**Apologies:** Councillors T. Brimm, C. Nelson and B. Stephens

**AC.24/07 DECLARATIONS OF INTEREST**  
Members had no interests to declare.

**AC.25/07 MINUTES**  
The Minutes of the meeting held on 28<sup>th</sup> January were confirmed as a correct record and signed by the Chairman.

**AC.26/07 THE ROLE OF THE AUDIT COMMISSION**  
Paul Heppell from the Audit Commission gave a presentation on the role of the Audit Commission.

It was reported that the Audit Commission was an independent body, which was responsible for ensuring that public money was spent economically, efficiently and effectively to achieve high quality local and national services for the public. Its remit covered more than 15,000 bodies, which between them spend nearly £125 billion of public money every year. Its work covered local government, housing, health, criminal justice and fire and rescue services.

Its strategic objectives were as follows:

- To raise standards of financial management and financial reporting.
- To challenge public bodies to deliver better value for money.
- To encourage continual improvement in public services so they meet the changing needs of diverse communities and provide fair access for all.
- To promote high standards of governance and accountability.
- To stimulate significant improvement in the quality of data and the use of information by decision makers.

The duties and powers of auditors appointed by the Audit Commission were set out in the Audit Commission Act 1998, the Local Government

Act 1999 and the Commission's statutory Code of Audit Practice.

It was explained that under the Code of Practice, the Council's appointed auditor would review and report on the following:

- The Council's financial statements and statements of internal control
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources – value for money conclusion
- Whether the Council had made proper arrangements to collect, record and publish performance information.

Details were also given on the responsibilities of the Council – its members and officers and those of the auditors.

RESOLVED: That the information be received.

#### **AC.27/07**

#### **WORKING TOGETHER PROCOTOL**

Consideration was given to a report prepared by the Audit Commission, which set out the way that the Council and the Audit Commission would work together in the delivery of the work programme up until Local Government Re-organisation in April 2009. (For copy see file of Minutes)

Ross Woodley from the Audit Commission presented the report.

Specific reference was made to the liaison arrangements with the Council and the preparation for comprehensive area assessment. It was noted that in April 2008 a new post of Comprehensive Area Assessment Lead (CAAL) would be created. The CAAL would take over the relationship manager role as the Commission's primary point of contact with the Council and be responsible for ensuring a smooth transition from an inspection system based on individual authorities to one based on the whole County.

It was noted that the Audit Commission had assessed LGR (Local Government Review) as the greatest audit risk facing all the local authorities within the County and had included work to address the issue in the 2008/09 audit and inspection plans. The work would be co-ordinated county-wide to ensure that emerging risks and good practice were communicated appropriately. The main risks to be addressed were:

- The impact of increased turnover and key vacancies on internal control.
- The security of assets.
- Access to records and officers of the demising Council during and after the transition.
- The use of reserves and balances.
- Commitments to long term projects and capital schemes.

It was planned that a lighter touch would be given to scored assessments such as Use of Resources and Direction of Travel in view

of their reduced relevance to the public.

*RESOLVED : That the report be received.*

**AC.28/07 ANNUAL AUDIT AND INSPECTION LETTER 2006/07**

Consideration was given to the above letter which summarised the conclusions and significant issues arising from the Audit Commission's recent audit and inspection of the Council. (For copy see file of Minutes).

Paul Heppell from the Audit Commission presented the report.

The inspection letter included the latest assessment on the Council's performance under the CPA framework, including the Direction of Travel report and the results of any inspections carried out by the Audit Commission under Section 10 of the Local Government Act 1999.

The key messages arising from the inspection were as follows:

- The Council had clearly identified its priorities and was generally making progress towards achieving its ambitions. It had a strong focus on community needs and priorities and had revised its aims, objectives and targets in 2007.
- A relatively high number of the Council's national performance indicators had performed at the top level in 2006/07. Whilst the improvement in its services had slowed down in 2006/07 compared to previous years, the Council had sound plans for future improvement. Satisfaction with Council's services was generally at a high level. Sickness absence, however, remained a weakness in the Council's capacity. Absence rates were poor and were the worst in the county for 2006/07 at 13.8 days compared to a median for Durham districts of 9.32 days. It was noted that the Council had put improvements plans in place, however they had not yet come to fruition.
- In common with Councils across Durham, the Council had implemented good regeneration projects, however, councils were not working together well enough to close the gap between economic prosperity in Durham and the rest of the country.

Members noted that the District Audit had issued unqualified opinions on the 2006/07 Accounts and Value for Money Arrangements and on the Best Value Performance Plan.

It was explained that the Council's overall use of resources judgement was at level 3, which indicated that the Council was consistently above minimum requirement – performing well. During 2006/07 systems of risk management and performance management had been embedded at a corporate and service level, which should help the Council sustain an effective use of resources through the challenges created by local government reorganisation.

There had been, however, a fall in Council Tax collection rate. The rate of collection was the lowest in County Durham and amongst the lowest nationally in 2006/07. It was noted that the Council had responded to the decrease by implementing a number of measures to improve future performance.

Specific reference was made to paragraphs 4, 5 and 6 of the inspection letter, which set out the actions needed that to be taken by the Council.

It was pointed out that early indications were that the Council was making a positive contribution to the creation of the new unitary Council, however, the early impetus needed to be maintained over the coming months.

Members requested that when the letter was presented to Cabinet at its meeting on 24<sup>th</sup> April 2008, reference should be made to the fact that the Committee had noted that the problem with regard to the fall in the council tax collection rate had been subsequently addressed by the appointment of 2 additional staff which was expected to improve the in-year collection rate. Reference should also be made to the Council's sickness absence rates, which were being monitored and were expected to improve following the introduction of new procedures during the year and the transfer of employees to a new Housing Partner.

*RESOLVED : That the report be received and Cabinet be informed of the Committee's findings..*

#### **AC.29/07**

#### **COMPUTER ROOM INSTALLATION CONTROLS REVIEW**

Consideration was given to a report prepared by the Audit Commission regarding the above. (For copy see file of Minutes).

Ross Woodley from the Audit Commission presented the report.

It was explained that a review of computer room installation controls had been completed as part of the Audit Commission's annual risk assessment associated with planning the 2006/07 audit of Sedgefield Borough Council. The review had been carried out following a recent upgrading of the computer room infrastructure and also to aid the Commission's understanding of the information and communications technology (ICT) environment that was required to comply with the International Standards of Auditing.

It was explained that the Council provided and managed all of its key business systems in-house. The main physical access and environmental controls were adequate and were operating in a satisfactory manner with some minor areas identified for improvement. One of the indicators for a well managed ICT service was the availability of policies and procedures. The ICT Department had online operational procedures in place, however, it was weak in the availability of a council wide IT usage related policies, for example ICT security policy.

Logical access controls to the corporate network and some of the key business systems in the main were good and followed best practice

suggested in BS17799 (Now ISO27001:2) guidance. The only exception was the commonly set parameter for 90 day frequency between passwords which was longer than best practice recommended.

The Council was one of very few authorities that had developed an in-house disaster recovery off-site facility for its business systems. At the time of the review, it was noted that updated insurance cover for IT equipment/inventory was in progress/complete and there was no history of theft, computer virus attacks or breaches of network security.

During 2006/07 internal audit had reviewed ICT security and their findings had been assessed and the Commission's work concurs with some of their reported results. Overall, there were no significant threats or concerns to the data processing activities operated by the Council.

Members' attention was drawn to the Action Plan detailed in Appendix 1, which set out five recommendations which officers had considered.

*RESOLVED : That the report be received.*

#### **AC.30/07 INTERNAL AUDIT PLAN FOR 2008/09**

Consideration was given to a report of the Director of Resources detailing the Internal Audit Plan for the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009. (For copy see file of Minutes).

The production of a comprehensive Audit Plan was an essential requirement for the delivery of an effective Internal Audit Service as it identified the planned areas of audit activities and provided the structure for the essential performance management works required to ensure the practical completion of identified projects. For planning purposes, the availability of the equivalent of four persons for 2008/09 had been assumed to deliver the work detailed in the Audit Plan.

The proposed Plan, detailed in Appendix 3, showed a total of 808 audited days compared with the approved Plan for 2007/08 of 911 days.

The content of the 2008/09 Plan reflected a wide range of Council activities and had been developed following consultation across all departments to ensure that changing priorities and pressures had been recognised, particularly in the light of Local Government Review and the priorities contained in the Council's Transition Plan. The maintenance of a proper control environment was fundamental to the delivery of services and must be the main purpose of internal audit activity.

It was pointed out that consideration had been given to the views of the Audit Commission, particularly in respect of issues surrounding Local Government Re-organisation and its impact on Councils within County Durham. The views were shown in Appendix 2 to the report and the Audit Plan had been developed to accommodate those issues.

*RESOLVED : 1. That the Internal Audit Plan for 2008/09 as detailed in Appendix 3 be approved.*

2. *That a half yearly report be submitted to a future meeting of the Committee.*
3. *That significant developments associated with the Audit Plan be reported to Audit Committee as necessary.*

#### 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)