

Item 3

SEDGEFIELD BOROUGH COUNCIL

AUDIT COMMITTEE

Conference Room 2,
Council Offices,
Spennymoor

Wednesday,
24 September 2008

Time: 5.30 p.m.

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

Apologies: Councillors T. Brimm and C. Nelson

AC.11/08 DECLARATIONS OF INTEREST
Members had no interests to declare.

AC.12/08 MINUTES
The Minutes of the meeting held on 30th June 2008 were confirmed as a correct record and signed by the Chairman.

AC.13/08 INTERIM AUDIT REPORT 2007/08
The Committee considered the above report prepared by the Audit Commission which summarised the results of its interim visit and included the findings of its triennial review of the Council's Internal Audit. (For copy see file of Minutes).

Paul Heppell from the Audit Commission was in attendance to present the report.

The report concluded that the Council had an effective control environment and strong budgetary control, which delivered considerable assurance that the accounts had not been materially misstated. The Council also had sound controls operating over the material financial systems that underpinned the production of the 2007/08 financial statements, however, the controls could be better evidenced.

With regard to the Council's Internal Audit Service, the review found that it mostly complied with the requirements of CIPFA's Code of Practice for Internal Audit, however, there were areas where compliance could have been better evidenced.

Members noted that the Commission's findings had been fed back to the Audit and Resources Manager and Accountancy Services Manager and remedial taken had been taken.

RESOLVED : *That the contents of the report be noted.*

AC.14/08**REVIEW OF CAPITAL EXPENDITURE 2007/08**

The Committee considered the above report prepared by the Audit Commission, which reviewed the Council's arrangements for managing housing capital projects. (For copy see file of Minutes).

Paul Heppell and Ross Woodley from the Audit Commission were in attendance to present the report.

The review had found that the Council continued to manage capital projects well and there were no issues that would prejudice the Commission's unqualified value for money conclusion. Tenant satisfaction remained high, averaging 86% which was above target and 56% of projects had been completed on time, compared to the national average of just 25%.

The Council had consistently kept overall capital spending within the capital budget. In 2007/08 the Housing Revenue Account capital programme had been underspent by 6% and the underspend on the last 16 projects completed had been just 1%, however, delays in processing compulsory purchase orders had held up the demolition of private houses, resulting in £4m of the general fund capital programme being re-phased to 2008/09.

Early indications were that the partnership with Mears was working well. High tenant satisfaction levels were being maintained, design, tender and mobilisation periods had been significantly reduced and there was a commitment to freeze prices throughout the three year contract.

The Commission had identified a few enhancements to good practice that may prove necessary to ensure capital projects continued to be managed well in 2008/09 when capacity would be stretched by preparations for Local Government Review and housing stock transfer.

Members' attention was drawn to the action plan detailed in Appendix 1.

RESOLVED : That the contents of the report be noted.

AC.15/08**STATEMENT OF ACCOUNTS (YEAR ENDED 31ST MARCH 2008)**

The Committee considered a report regarding the draft Annual Governance Report and the Final Accounts Memo produced by the Audit Commission, following the completion of its audit of the 2007/08 Annual Statement of Accounts. (For copy see file of Minutes)

It was noted that the audit of the Annual Statement of Accounts had now been completed and the District Auditor's draft Annual Governance Report on the audit had been circulated for Members' consideration. The report had identified two material errors and several non-trifling errors to the Statement of Accounts.

The accounts had subsequently been amended and Council's approval would be sought to agree the changes. Members were made aware of the fact that the changes were purely of a technical nature and had no impact on the authority's financial standing.

Details of the amendments were outlined at the meeting.

RESOLVED : That the Statement of Accounts for year ended 31st March 2008 as amended, be recommended to Council for approval.

AC.16/08 ANNUAL GOVERNANCE REPORT 2007/08

Consideration was given to the above report prepared by the Audit Commission, which summarised the findings of its 2007/08 audit. (For copy see file of Minutes).

Ross Woodley from the Audit Commission was in attendance to present the report.

It was reported that the Commission expected to issue an unqualified opinion on the accounts subject to their re-approval by Council on 26th September 2008. The accounts presented for audit contained two material errors and several other non trifling errors, however, they did not have any impact on the bottom line. The reserves were as reported to Members in June 2008.

With regard to value for money, it was noted that the Audit Commission was also planning to issue an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Council had maintained adequate systems of internal control, risk management and financial management, despite the increased staff turnover brought about by the impending changes to the structure of Local Government in County Durham. Indeed, the good financial management systems had been further enhanced during the year.

RESOLVED : That the contents of the report be noted.

AC.17/08 ANNUAL REVIEW OF TREASURY MANAGEMENT ACTIVITIES 2007/08

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

The Annual Review of Treasury Management report set out details of the Council's performance and compliance with the Treasury Management strategy approved by Council in February 2007 and detailed the affects of the decisions taken and the transactions executed in the past year. The report confirmed that the Council had fully complied with its approved strategy, treasury management practices and Local Code of Practice in 2007/08.

Members' attention was drawn to the key aspects of performance.

RESOLVED : That the performance and compliance with the approved Treasury Management Strategy 2007/08 be noted.

INTERNAL AUDIT SERVICE - INTERIM AUDIT REPORT FOR FIVE MONTHS ENDING 31ST AUGUST 2008

Consideration was given to a report of the Director of Resources detailing interim performance information for the first five months of the year. (For copy see file of Minutes).

It was reported that the approved Audit Plan for 2008-09 scheduled a total of 808 days for the full year, with an estimated 337 days for the first five months of the year. Actual audit work carried out for the period ending 31st August 2008, totalled 257 days, resulting in a shortfall of 80 days less than planned. The reason for the shortfall was that the Internal Audit Section had been operating with staffing vacancies during the year. As a consequence audit work had been reprioritised to give greater emphasis to areas of higher risk and some audit assignments considered relatively lower risk would not be carried out. Priority would be given to ensuring that all core financial systems were audited and any emerging areas of risk as a consequence of LSVT and local government re-organisation were given the appropriate consideration.

It was pointed out that 8 formal reports had been issued during the period, with 2 confirming that satisfactory arrangements were in place, with no recommendations. Within the 6 reports issued where recommendations had been made, there were a total of 9 classified as being of high importance and 6 of medium importance. All recommendations made had been made following detailed discussions and with the agreement of appropriate service managers.

Members' attention was drawn to Appendix 1, which provided a brief summary of the audit work carried out.

- RESOLVED :**
1. *That the contents of the Internal Audit Interim Report 2008 to 2009 be noted.*
 2. *That the Committee recognises that increased flexibility will be required in the Audit Plan 2008/2009 to deal with the general uncertainty, risks and emerging issues as a result of re-organisation of local government in County Durham and LSVT of the housing stock and that audit resources will need to be directed accordingly for the remaining part of the year.*
 3. *That a further report be considered at a future meeting of the Committee.*

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