

**THE MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE**

HELD ON THURSDAY 22 MAY 2008

Present: Councillor G. Pinkney (Chair)
Councillors B. Bates, Mrs G. Bleasdale,
G. Johnson, K. McGonnell and Mrs M. Nugent

Apology: Councillors R. Davison and B, Quinn

1. **THE MINUTES OF THE LAST MEETING** held on 10 April 2008, a copy of which had been circulated to each Member, were confirmed.
2. **2007/2008 ANNUAL REPORT**

Consideration was given to the report of the Internal Audit Manager which advised of the audit work completed in 2007/2008 and gave an overall opinion on the Council's system of internal controls for the year. A copy of the report had been circulated to each Member.

On behalf of the Director of Finance and Corporate Services in reporting to the Committee, the Internal Audit Section reviewed, appraised and reported on the efficiency, effectiveness and economy of financial and management controls. Members received quarterly progress reports and in addition it was considered important that at least annually Members should receive a report from the Audit Manager that included an assessment of the adequacy, reliability and effectiveness of the internal control systems of the Council.

G. Fletcher, Internal Audit Manager reported that in terms of the Council's Financial Regulations it was the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It was the responsibility of the Internal Audit Manager to provide an annual overall assessment of the robustness of the internal control system, the main objectives of which were set out in the report.

In terms of the work of Internal Audit the Section undertook an annual programme of work based on a rolling three year Strategic Audit Plan. This strategic planning was based on a formal risk assessment methodology and this approach resulted in a comprehensive range of audit reviews being undertaken to support the overall opinion on the control environment.

The report outlined how performance was monitored against the Annual Plan for 2007/2008 and full details of the areas of activity planned, together with those actually undertaken were included in Appendix 1 to the report. A summary of information extracted from the Appendix was highlighted in Section 4.3.5 of the report.

To conclude, based on his evaluation of the internal control environment, informed from a number of sources as outlined, he stated that as Internal Audit Manager, in his opinion the key systems were operating soundly and there were no fundamental breakdowns of controls resulting in material discrepancy. However, as no system of control could provide absolute assurance against

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material loss, nor could Internal Audit give that assurance, this statement was intended to provide an opinion that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2008.

RESOLVED that the information given in relation to the Annual Report for 2007/8, be noted.

3. RISK MANAGEMENT PROGRESS REPORT

Consideration was given to the report of the Governance and Risk Manager which gave details of progress on the Council's approach to managing risk and the implementation of the Council's Risk Management Strategy to provide assurance that the Council effectively managed its risks. A copy of the report had been circulated to each Member.

S. Wardle, Governance and Risk Manager referred to the updated Risk Management Performance Workplan at Appendix 1 which included relevant action plans, measurable outcomes, progress monitors and a traffic light status indicator for all areas of work.

The Council's Annual Audit and Inspection Letter 2008 had confirmed that 'risk management arrangements had been further strengthened by embedding arrangements whereby risks relating to significant partnerships were considered about the management of those risks'.

He continued that it was hoped that the Corporate Risk Review would be completed by the end of June 2008 and this would be used as the basis for going forward having taken into account the risks and implications arising from the local government review. He added that most risks were being effectively managed and that risk management was well embedded.

The report also provided an update of training carried out, which had included staff and member induction manuals being formally released as part of the current risk management training programme, and an in house session for new Members of the Audit Committee completed on 24 January 2008.

In terms of the local government review, he advised that he was involved on the risk management sub-stream of the Finance Workstream which was looking at ensuring that the new Authority had adequate risk management arrangements in place.

RESOLVED that the content of the report and the progress made with the Risk Management Workplan, be noted.

4. LOCAL CODE OF GOVERNANCE – REVIEW OF CORPORATE GOVERNANCE FRAMEWORK

Consideration was given to the report of the Governance and Risk Manager which sought approval to adopt a revised Local Code of Governance arising from a recent review of the Council's governance arrangements, a copy of which had been circulated to each Member.

S. Wardle reported that Councils were now required to prepare an Annual Governance Statement which replaced the Statement of Internal Control. In support of this change CIPFA and SOLACE had developed a framework setting

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out best practice for developing and maintaining a Local Code of Governance and for discharging accountability for the proper code of public business, through the publication of an Annual Governance Statement (AGS) that would make the Council's adopted practices and governance arrangements open and explicit.

Accordingly an AGS framework had been developed for the Council and this was set out at Appendix 1.

To review the current arrangements a small corporate governance group had been established and a Local Code of Governance Workplan drawn up as attached at Appendix 2. A summary of the full Workplan had also been circulated to Members.

As part of the review a revised Local Code of Governance had been proposed which had been agreed by Executive on 20 May 2008, and this was attached at Appendix 3.

In terms of the local government review, a proportionate approach had been taken to the AGS for 2007/8 and 2008/9. The new Council would prepare its own annual governance arrangements and a work stream sub-group had been established under the review programme to consider the governance arrangements for the new unitary Council post April 2009.

RESOLVED that

- (a) the revised AGS Framework and Local Code of Governance be noted;
- (b) the responsibility of the Committee for reviewing the effectiveness of the Council's governance arrangements and for monitoring those actions identified in the Workplan to ensure standards were met, be noted;
- (c) the effectiveness of the Council's governance arrangements in place via the Framework, Local Code and the Governance Workplan, be endorsed.

5. ANNUAL GOVERNANCE STATEMENT

Consideration was given to the report of the Internal Audit Manager on the Annual Governance Statement for 2007/2008 which would be included in the 2007/8 Statement of Accounts, a copy of which had been circulated to each Member.

G. Fletcher reported that as reported separately, in accordance with the new CIPFA/SOLACE governance framework an Annual Governance Statement (AGS) had been prepared which subsumed the Statement of Internal Control.

The AGS now integrated the system of internal control aspects with the corporate governance arrangements and the Committee had a role in the process.

As reported, details had been given of the review of the governance arrangements which Members had to be assured were robust and that proper arrangements were in place to give the Council assurance that business was being conducted properly.

In terms of systems of control and management arrangements the assurance process was similar to that used in preparing the Statement on Internal Control. The Audit Manager was central to the process with responsibility for drafting the

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AGS, evaluating assurances and the supporting evidence, and judging whether or not existing policies were consistent with the governance framework.

Senior Managers from the Council and East Durham Homes had each completed an assurance statement as evidence to support the AGS, copies of which had been provided to Members of the Audit Committee.

The proposed AGS had been prepared in accordance with the processes outlined in the framework guidance, and a copy was attached at Appendix 1.

Having considered the report the Committee were satisfied that the procedures used to formulate the AGS were robust enough to assure the Council that its business was conducted properly taking account of cultures and values and how it engaged with the community.

Accordingly it was **RESOLVED** that the content of the Annual Governance Statement for 2007/2008, be endorsed and the progress of any actions arising from the process be monitored by the Audit Committee, as part of it's governance responsibilities.

JE/CB/COM/AUDIT/080503
1 May 2008