

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

HELD ON FRIDAY 18 JULY 2008

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

Also Present: R. Walker, C. Eddowes - Audit Commission

Apology: Councillor R. Davison

1. **THE MINUTES OF THE LAST MEETING** held on 12 June 2008, a copy of which had been circulated to each Member, were confirmed.
2. **THE MINUTES OF THE SPECIAL MEETING** held on 26 June 2008, a copy of which had been circulated to each Member, were confirmed.
3. **AUDIT AND INSPECTION PLAN**

Consideration was given to the District of Easington Audit and Inspection Plan for 2008/9, a copy of which had been circulated to each Member.

R. Walker, Audit Manager explained that in view of the local government review in Durham this was the final Plan for the District of Easington, and the Audit Commission's work had been tailored to reflect this.

The Plan was based on the Audit Commission's risk based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment.

A summary of the fees for 2008/9 was set out in the report, together with a detailed breakdown in Appendix 2.

R. Walker briefly took Members through the main content of the report, concluding that the Audit Commission had a good working relationship with Officers at Easington which he expected would continue throughout 2008/9.

Members considered the Plan, and in response to a question relating to the calculation of the audit and inspection fees, R. Walker discussed how they had been determined, as detailed in the Audit Commission's report, and advised that unless there were any major issues during the year, extra work would be covered within the scale fee set.

Following discussion it was **RESOLVED** that the information given, be noted.

4. **STATEMENT OF RESPONSIBILITIES OF AUDITORS AND OF AUDITED BODIES**

Consideration was given to the Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies, a copy of which had been circulated to each Member.

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R. Walker explained that the purpose of the Statement was to assist auditors and audited bodies by summarising the different responsibilities of each and what was to be expected of the audited body in certain areas. This was a working document which had been reviewed and updated.

In taking Members through the Statement, he outlined the main changes made to it which related to administration of the Pension Fund, the preparation and electronic publication of financial statements, data quality and access to documents and information by auditors.

RESOLVED that the information given, be noted.

5. USE OF RESOURCES AUDITOR JUDGEMENTS 2007 - FEEDBACK

Consideration was given to the report of the Director of Finance and Corporate Services which informed Members of feedback from the Audit Commission on the Use of Resources Assessment for 2007.

T. Bell, Director of Finance and Corporate Services explained that the assessment evaluated how well Councils managed and used their financial resources and focussed on the importance of having sound strategic financial management to ensure resources were available to support the Council's priorities and improve services.

The full report from the Audit Commission was attached to the report for Members consideration. The report acknowledged that the Council's arrangements had improved, strengthened and were embedded compared to the previous year, particularly in relation to financial management, where the score had increased from 2 to 3.

The key messages arising from the assessment were highlighted within the report, and in terms of value for money, it was noted that housing was still an issue for 2007, although significant improvements had been seen where EDH was addressing the weaknesses from the last report. The progress made should be reflected in next year's assessment.

The Auditor had stated that 'the Council had continued to actively improve its performance and was consistently above the minimum requirements and was performing well'.

The report also outlined the national position for District Councils and regionally across Durham and Northumberland.

In terms of the local government review, priorities were shifting towards implementation of the new unitary authority from 1 April 2009, and Officers were working with District and County colleagues to focus on ensuring that the new Council achieved a use of resources score of at least 3.

RESOLVED that the information given, be noted.

6. INTERNAL AUDIT PROGRESS REPORT FOR 2008/2009

Consideration was given to the report of the Audit Manager which gave details of progress made completing the 2008/2009 Internal Audit Plan, a copy of which had been circulated to each Member.

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Appendix 1 summarised the planned audit work completed by Internal Audit for the period. The aims and objectives of each of the following audits were shown, together with the conclusions and any recommended actions agreed with the auditees:-

Recruitment and Selection;
Register of Electors;
Contractors Selection System;
Sales by Tender.

Appendix 2 showed a list of the planned audit work currently in progress which would be carried forward to the next quarter.

RESOLVED that the information contained within the report, be noted.

7. 2007/8 BVPI DATA QUALITY AUDIT PROGRAMME

Consideration was given to the report of the Senior Corporate Development Officer which presented the outcomes from the programme of data quality audits carried out on a selection of BVPIs during 2007/8, a copy of which had been circulated to each Member.

K. Daghish, Senior Corporate Development Officer reported that the agreed programme of audits focussed on a selection of the Council's performance indicators. The criteria for selection of these, together with the methodology used was outlined in the report for Members information.

She advised that the majority of audits were found to be compliant with the definition of each Performance Indicator being followed as stipulated by the guidance, and the systems checks had shown satisfactory data quality. However, some errors had been identified with the following indicators:-

Housing Services

Rent collection and arrears recovery;
Non-decent local authority dwellings;
Vacant dwellings returned to occupation or demolished;

Planning

Major applications, minor applications and other applications;
Quality of planning check list.

The report detailed the actions taken to resolve the issues in relation to the indicators referred to.

K. Daghish continued that the new National Indicator set replaced the Best Value Performance Indicators from 1 April 2008 and a new audit schedule had been agreed to ensure compliance with the technical definitions and the recording. The Council had also agreed to retain a number of former BVPIs not carried forward into the new set as local indicators, and these would be included on the schedule for data quality audits attached at Appendix 1.

Following discussion it was **RESOLVED** that the information in relation to data quality audits completed for the year 2007/8, be noted.

8. BEST VALUE PERFORMANCE INDICATOR (BVPI) 156

Consideration was given to the report of the Head of Asset and Property Management which gave an update in relation to BVPI 156 as requested at the last meeting of the Committee. A copy of the report had been circulated to each Member.

R. Hill, Assistant Public Buildings Officer advised that the Asset and Property Management Team had been tasked with achieving BVPI 156 status on six sheltered housing units (SHUs) throughout the District, as listed in the report.

An external consultant had been employed to complete outstanding DDA/BVPI works and a target of 42.42% was set for 2007/8.

He explained that although a comprehensive review of the SHU's was undertaken, the future of Dormand Villas continued to remain uncertain and as such, DDA works had been delayed until further consultation had been carried out. These delays meant that the works could not be completed prior to the end of the monitoring period. Therefore, BVPI 156 had been met at 5 of the 6 Centres with an achieved compliance of 39.39%, a shortfall of 3.03% from the target.

Overall, the Unit had set a target to achieve compliance on 14 operational buildings by the year end and had therefore achieved 13.

R. Hill continued that a further programme of works for DDA compliance on the warden communal halls had been agreed for the period 2008/9 with the aim of achieving an overall level of compliance of 60% by April 2009. The Head of Housing was preparing a report subsequent to a comprehensive review of this section of the portfolio which would fully advise the works programme. However, essential works had been initiated to all properties with a more detailed programme to be developed and implemented once the Head of Housing's recommendations had been approved. If the review of the communal halls was delayed, it would be difficult to achieve the 60% target.

A Member asked if the works to the Jubilee Centre in Seaham had been completed, and R. Hill advised that BVPI 156 works had been finished, however, minor DDA works would continue.

A Member referred to the overall time taken to complete DDA/BVPI works and was concerned that not all the public buildings would be compliant by 1 April 2009. R. Hill advised that intermediate surveys of the remaining buildings had been carried out with essential works instigated to mitigate risk until the full review was completed. He would circulate this information to Members.

RESOLVED that the information given be noted.

9. PROGRAMME OF SUPPORT FOR EAST DURHAM HOMES

Consideration was given to a briefing note circulated by the Director of Finance and Corporate Services which advised of a schedule of support for East Durham Homes in preparation for the next inspection due to take place in February 2009. This had been requested by Members at the Special meeting of the Committee held on 26 June 2008.

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T. Bell explained that the 2007/8 budget framework had been prepared against a backcloth of difficulties following the Company's failure to achieve two star status in the last inspection in September 2006.

In preparing the 2007/8 budget, the Council had been aware that there were financial problems, therefore, sufficient reserves were put in place to resource emerging issues. A report to Council in September 2007 outlined the need to right size the company, addressed a significant budget gap estimated at just under £2m, and agreed to the transfer of the capital operations to a strategic partner and to subjecting the maintenance service to market testing without an 'in-house' bid.

At that time, it had been agreed to commit £2.075m of HRA reserves to facilitate the process and the 2007/8 budget difficulty was to be monitored throughout the year. In February 2008, the Executive approved up to £715k to address the budget gap and a further £100k to continue improvements in turning around void properties. These transactions were funded from the 2007/8 anticipated budget surplus.

The current position on these commitments was detailed in the briefing note.

Since the appointment of the new Chief Executive in July 2007, considerable progress had been made in a number of areas, as detailed in the briefing note, and the Audit Commission had recently assessed the Company's position acknowledging progress and identifying areas to be addressed for re-inspection. In response, the Company had re-profiled priorities focussing on the areas identified by the Audit Commission.

The note outlined the proposals agreed by the Executive which included the programme of support referred to, which was attached at Appendix 1. The proposals were within the 2007/8 budget framework and would be met from the resources already approved and committed.

In response to Members comments in relation to future financial support, T. Bell advised that since the appointment of the new Chief Executive, the financial position of EDH had grown stronger and the Company was now much more financially viable. It was also more focussed and measured about what it needed to deliver to achieve two star status.

RESOLVED that the information given, be noted.

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