

## AUDIT COMMITTEE

11<sup>th</sup> July, 2011

**PRESENT** - Councillor Baldwin (in the Chair); Councillors Johnson and McEwan and Mr. J. Morton (4)

**APOLOGIES** –

**ABSENT** –

**OFFICERS** – Brian James, Head of Corporate Assurance, Anthony Sandys, Head of Revenues and Benefits, John Bosson, Strategy and Performance Manager and Stephen Winship, Stockton Borough Council

**ALSO IN ATTENDANCE** – Simon Clegg and Neil Austin, PricewaterhouseCoopers and Mike Airey, Chair of Standards Committee.

**A1. DECLARATIONS OF INTEREST** – There were no declarations of interest reported at the meeting.

**A2. MINUTES – RESOLVED** – That the Minutes of the meeting held on 1<sup>st</sup> April, 2011, having been circulated, be taken as read and approved as a correct record.

**A3. AUDIT OF XENTRALL – PROGRESS REPORT** – The Director of Resources submitted a report (previously circulated) together with a report (also previously circulated) of the Financial Planning and Audit Manager of Stockton Borough Council outlining the progress made against the 2010/11 Xentrall Audit Plan

It was reported that four audits were presented, one of which had received full assurance and three of which had received substantial assurance

**RESOLVED** – That the progress report be noted.

**A4. AUDIT SERVICES’ ANNUAL REPORT 2010/11** – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services’ Annual Report (also previously circulated) for 2010/11. The submitted report made reference to the internal audit service provided, operational performance achieved; audit assignment, consultancy/corporate arrangements work and contingency activity undertaken, outcomes against key performance indicator targets and the year ahead.

The Head of Corporate Assurance reported that the outcomes from the audit assignments undertaken, together with the positive responses from management to accept and implement required improvements to control systems, complemented by consultancy work carried out to advise and assist management to establish appropriate controls at source, demonstrated that the Council continued to operate within a control environment that was generally sound.

**RESOLVED** – That the Audit Services’ Annual Report for 2010/11 be noted.

**A5. INVESTIGATION TEAM ANNUAL REPORT 2010/11 AND**

**AMENDMENTS TO THE HOUSING BENEFITS ANTI-FRAUD STRATEGY, ANTI FRAUD POLICY AND SANCTIONS POLICY** – The Director of People submitted a report (previously circulated) advising Members of the work of the Investigation Team, within the Revenues and Benefits Team for the financial year 2010/11, and seeking approval for amendments to the Council’s Housing Benefit/Council Tax Benefit Anti-fraud Strategy, Policy and Sanctions Policy.

The submitted report outlined the role of the Investigation Team as a key element of the Council’s anti-fraud and corruption arrangements, the changes in content from previous years, the maintenance in the number of successful sanctions and fraud prosecutions obtained and the positive performance which was achieved during 2010/11.

Discussion ensued on the need to update the Benefits Sanction Policy, and the Benefits Anti-Fraud Strategy and Policy; the use of the data matching service (HBMS) to identify and detect fraud and a proposal for the Investigation Team to support Local Taxation staff so that Council Tax liabilities in relation to newly developed properties can be promptly created.

It was also reported that the Investigation Team benchmarked against other local authority counter fraud teams through the Department for Works and Pensions and performed well within the Region.

**RESOLVED** – (a) That the Investigation Team’s Annual Report for 2010/11 be noted.

(b) That amendments to the Benefits Anti-Fraud Strategy, Benefits Anti-Fraud Policy and Benefits Sanction Policy be approved.

**A6. MANAGERS’ ASSURANCE STATEMENTS** – The Director of Resources submitted a report (previously circulated) advising Members of the outcome from the 2010/11 Managers’ Assurance Statements (MAS), which were required to be completed by all Assistant Directors to cover their areas of responsibility and which were a key element of the Council’s corporate governance arrangements and an integral part of the framework that supported the production of the Annual Governance Statement. It was reported that, in the interests of good governance, all schools were encouraged to complete a Statement of Internal Control (SIC) for the 2010/11 financial year.

It was also reported that the MAS had identified an overall positive position and that common themes which had been highlighted related to service specific Business Continuity Plans and future Equalities training and awareness and that these were to be addressed by the implementation of appropriate action plans during the 2011/12 financial year.

**RESOLVED** – That the report be noted.

**A7. CORPORATE GOVERNANCE UPDATE REPORT** – The Director of Resources submitted a report (previously circulated) updating Members on the progress to date on the application for Corporate Governance within the Authority, in line with the Council’s current Local Code of Corporate Governance, which was approved by the Council in 2008.

The submitted report outlined the background and core principles of good governance,

the recognition by this Council's Auditors, PricewaterhouseCoopers (PwC) of the Local Code as a key management tool for strengthening and improving the Council's corporate governance arrangements and specific Member training on the key documents and functions.

Particular references were made to the progress made in a number of areas, namely the establishment of the new Council following the local Elections in May 2010 and revisions to a number of Procedure Rules within the Council's Constitution; the Sustainable Community Strategy; the refreshing of the Council's Human resources Strategy; the complaints process for the Council; business transformation, the Council's ICT Strategy, revisions to the Annual Statement of Accounts to comply with statutory requirements; budget management and the Medium-Term Financial Plan.

**RESOLVED** – That the report be noted.

**A8 TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2010/11** – The Director of Resources submitted a report (previously circulated) providing Members with information regarding the regulation and management of the Council's borrowing, investments and cash-flow and seeking approval of the Prudential Indicators results for 2010/11 in accordance with the Prudential Code.

It was reported that the financial year 2010/11 had again presented exceptional circumstances with regard to treasury management and the main implications for the Council were included in the submitted report. An additional Voluntary Repayment of Principal (VRP) had been made at the end of 2010/11 using capital receipts in accordance with the Medium-Term Financial Plan which had resulted in a reduction in the financing costs for years 2010/11 to 2014/15.

It was also reported that the Council's treasury management activity during 2010/11 had been carried out in accordance with Council Policy and within legal limits, financing costs had been reduced during the year and a saving of £0.906 million had been achieved from the original Medium-Term Financial Plan as a result of a number of actions taken throughout the year to manage financing costs.

**RESOLVED** – (a) That the outturn 2010/11 Prudential Indicators within the submitted report and those in the attached appendix, be noted.

(b) That the Treasury Management Annual Report for 2010/11 be noted.

(c) That the submitted report be referred to Cabinet and Council, in order for the Prudential Indicators for 2010/11 to be noted.

**A9. TREASURY MANAGEMENT BENCHMARKING – SECURITY, LIQUIDITY AND YIELD** – The Director of Resources submitted a report (previously circulated) providing Members with details of outturn relating to the benchmarking of investments up to the end of June 2011, against the benchmarks set for 2011/12 for the Security, Liquidity and Yield of Investments.

**RESOLVED** – That the results of the Security, Liquidity and Yield benchmarking to date for 2011/12 be noted.

**A10. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL INCORPORATING THE ANNUAL REVIEW OF INTERNAL AUDIT EFFECTIVENESS** – The Director of Place submitted a report (previously circulated) advising Members of the review undertaken on the effectiveness of the system of internal control, incorporating the annual review of the internal audit effectiveness.

The submitted report outlined that the Accounts and Audit (England) Regulations 2011 required Councils to review the effectiveness of their system of internal control and internal audit once a year and for the findings of the reviews to be presented formally to a Committee of the Council. The findings of the reviews underpin the Annual Governance Statement to accompany the Statement of Accounts for 2010/11.

Particular reference was made to the basis of the system of Internal Control, the approach taken in undertaking the review, the areas covered and the evidence sources used.

In conclusion, the review team concluded that the Council had an effective system of internal control and internal audit and that the self-assessments, appended to the submitted report, were factual, essentially satisfied all the key requirements and, taken together with evidence produced from the assurance framework and those provided from external quality assessments and stakeholder opinion supported the opinion given.

**RESOLVED** – That the report be noted.

**A11. ANNUAL GOVERNANCE STATEMENT** – The Director of Resources submitted a report (previously circulated) seeking approval to the Council’s Annual Governance Statement, a key document which involved a variety of people charged with delivering governance within the authority and which was required to be published each year, to accompany the Statement of Accounts, in accordance with Regulation 4 of the Accounts and Audit (England) Regulations 2011

It was reported that the Annual Governance Statement, outlined the Council’s responsibilities, explained the purpose of the governance framework, set out the key elements of the governance framework, detailed the review of its effectiveness, highlighted significant governance issues and included a commitment by the Leader of the Council and the Chief Executive to ensure the continuous improvement of the system in place.

**RESOLVED** – That the draft Annual Governance Statement, as appended to the submitted report, be approved,