

AUDIT COMMITTEE

27th June, 2008

PRESENT - Councillor Baldwin (in the Chair); Councillors Johnson and A. Scott (3)

APOLOGIES – Mr. J. Morton

ABSENT -

A3. DECLARATIONS OF INTEREST – Councillor Baldwin declared a personal and non-prejudicial interest in Minute A5 below as his son works in the Housing Benefits Section. There were no other declarations of interest reported at the meeting.

A4. MINUTES – RESOLVED – That the Minutes of the meeting of this Committee held on 27th March, 2008, having been circulated, be taken as read and approved as a correct record.

A5. BENEFITS ENQUIRY UNIT – ANNUAL REPORT 2007/08 – The Director of Community Services submitted a report (previously circulated) advising Members of the work of the Benefits Enquiry Unit, within the Housing Benefits Section of the Community Services Department for the financial year 2007/08.

The submitted report outlined the role of the Unit to investigate all allegations of Housing and Council Tax Benefit Fraud, the staffing resource within that Unit and the actions taken during 2007/08, to prevent, detect and investigate benefit fraud.

Particular reference was made to the withdrawal, in November 2007, of data match referrals from the Department for Works and Pensions, following the suspension of all data transfer, and the likely effect that suspension would have on the performance of the Unit during 2008/09. It was however, reported that although this had caused difficulties for the Team, the Housing Benefits Counter Fraud Team had continued to improve its performance with regards to the number of sanctions and prosecutions it had generated.

RESOLVED - That the Benefit Enquiry Unit Annual Report 2007/08 be noted.

A6. CORPORATE INFORMATION GOVERNANCE POLICY – PROGRESS REPORT – The Director of Corporate Services submitted a report (previously circulated) updating Members on the progress with the implementation of the Council's Corporate Information Governance Policy.

The submitted report outlined the background to the adoption of the Corporate Information Governance Policy in 2008, which was designed to ensure the systematic adoption of a number of information management principles to underpin the Council's operations and service delivery and the role of this Committee in monitoring the progress against the Policy.

It was reported that significant progress had been made in all areas of information governance in the last 12 months and reference was made to the on-going work of the Information Governance team in targeting those services and areas that required urgent assistance with their information as well as delivering a strategic framework for the Council and developing approaches to managing information requests.

References were also made to the work being undertaken in relation to the Darlington and Stockton Partnership and the pre-partnership data sharing guidance which had been provided and to a survey, which was currently being undertaken to assess the security of transfers of personal data within the Council and with external partners. It was reported that, once the survey information had been analysed, the findings thereof would be reported back to this Committee for information.

RESOLVED – That the report be noted.

A7. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT – The Assistant Chief Executive submitted a report (previously circulated) advising Members of the review undertaken on the effectiveness of the system of Internal Audit.

The submitted report outlined that the Accounts and Audit (Amendment) Regulations 2006, required local authorities to review the effectiveness of their system of Internal Audit once a year and for the findings of the review to be reported formally to a Committee of the Council. The findings form part of the system of internal control that supports the Annual Governance Statement alongside the Statement of Accounts for 2007/08.

Particular reference was made to the approach taken in undertaking the review together with the evidence sources used and the issues covered by the review.

Following its investigation, the Group had concluded that the Council had an effective system of Internal Audit.

RESOLVED – That the report be noted.

A8. CORPORATE GOVERNANCE – UPDATE REPORT - The Director of Corporate Services and the Assistant Chief Executive submitted a report (previously circulated) updating Members on the progress to date on the application of Corporate Governance within the Authority.

The Head of Corporate Assurance reported that Cipfa/SOLACE had reviewed their original Framework in 2007 to reflect the fact that local government had been subject to continued reform to improve local accountability and engagement and that its revised publication ‘Delivering Good Governance in Local Government: Framework’ had been the basis of Darlington’s current Local Code which had been approved by Council in January 2008, following endorsement by this Committee.

It was also reported that this Council’s Auditors, PriceWaterhouseCoopers (PWC), had recognised the Local Code as a key management tool for strengthening and improving the Council’s corporate governance arrangements and references were made to Members’ training on the key documents and functions within the Local Code, a presentation which had been delivered to the Senior Managers’ Network, the continuation of the implementation of learning management software to better record acceptance and understanding by employees and Members of a range of corporate policies/processes; and the availability of the governance framework on the Council’s Intranet.

Particular references were made to progress which had been made in a number of areas, namely the adoption of the Sustainable Community Strategy and the Local Area Agreement, a major review of the Council’s Capital Projects Methodology and Procurement Strategy, the adoption of

revised Contract Procedure Rules, a fundamental review of the Corporate Complaints process, the approval of a Corporate Information Governance Policy, the introduction of a Fraud response Plan and the introduction of a revised Code of Conduct for Employees.

RESOLVED – That the progress on the application of Corporate Governance within the Authority be noted.

A9. ANNUAL RISK MANAGEMENT REPORT 2007/08 – The Director of Corporate Services submitted a report (previously circulated) advising Members of the approach to and outcomes from the Council’s Risk Management processes for 2007/08.

The submitted report outlined the background to risk management, which was an essential part of effective and efficient management and planning and strengthened the ability of the Council to achieve its objectives and enhance the value of services provided. The Head of Corporate Assurance also reported that risk management was an integral requirement of the Comprehensive Performance Assessment and an important element in demonstrating continuous improvement as well as being part of the Council’s Local Code of Corporate Governance that reflected the requirements of the CIPFA/SOLACE framework on Corporate Governance.

References were also made to the background to the management of risks within the Authority; the authority’s score for risk management under the Corporate Performance Assessment (CPA); the positive progress in risk management processes during 2007/08; and the risks identified on a departmental basis which had been identified as above the risk appetite line and the improvement actions taken thereon.

Particular references were made to the external recognition achieved by the Council during 2007/08 for its proactive risk management work and savings of £900,000 which had been achieved as a result of its pro-active risk management approach, a very good claims history, the innovative joint procurement initiative with Stockton Borough Council and the current market conditions.

RESOLVED – That the Annual Risk Management report for 2007/08 be noted.

A10. MANAGERS’ ASSURANCE STATEMENTS – The Director of Corporate Services submitted a report (previously circulated) advising Members of the outcome of the Managers’ Assurance Statements, which were required to be completed by representatives of Departmental Senior Management Teams 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 Corporate Governance Statement.

It was reported that the review of the 2008 Managers’ Assurance Statements had identified an overall positive position; that progress had been made on actions resulting from the 2007 review; and that managers were committed to driving forward the expansion of the Learning Management Software within the Council to better record employee acceptance and understanding of a range of corporate policies and processes.

RESOLVED – That the report be noted.

A11. AUDIT SERVICES’ ANNUAL REPORT 2007/08 – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services’ Annual Report (also previously circulated) for 2007/08.

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 and particular references were also made to the progress made to enhance the corporate governance arrangements.

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 undertaken 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.

In addition, it was also reported that the position upon Audit Services' Key Performance Indicators was positive, with the Council's Internal Control environment overall scoring three out of four as evaluated through the CPA Use of Resources 'harder test' methodology.

RESOLVED – That the Audit Services' Annual Report for 2007/08 be noted.

A12. ANNUAL GOVERNANCE STATEMENT – The Director of Corporate Services submitted a report (previously circulated) seeking approval to the Council's Annual Governance Statement, a document which was required to be published each year, in accordance with Regulation 4 of the Accounts and Audit (Amendment) (England) Regulations 2006.

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.

A13. STATEMENT OF ACCOUNTS 2007/08 – The Director of Corporate Services submitted a report (previously circulated) seeking approval of the Council's draft Statement of Accounts for 2007/08, prior to their audit by PricewaterhouseCoopers (PwC).

Reference was made to the Regulatory Framework, which required local authorities to prepare an Annual Statement of Accounts, for them to be approved by this Committee and to be examined following approval by the Council's external auditors (PwC).

The submitted report referred to the key issues to be brought to Members' attention in the 2007/08 Statement of Accounts and it was also reported that, although the Statement of Accounts had to be presented in the prescribed format, summary accounts, which aimed to provide more readily accessible and understandable financial information to the public and other stakeholders were also published.

RESOLVED – That the draft Statement of Accounts for the financial year 2007/08 be approved.

A14. AUDIT AND INSPECTION PLAN 2008/09 - The Director of Corporate Services submitted a report (previously circulated), together with a copy of the 2008/09 Audit and

Inspection Plan (also previously circulated) prepared by the Audit Commission and PriceWaterhouseCoopers (PwC), in consultation with Officers.

Paul Harrison, Audit Senior Manager from PwC, presented the Plan, which set out the audit and inspection work that the Audit Commission and PwC proposed to undertake in 2008/09, which had been drawn up from PwC's risk-based approach to audit planning and to reflect the requirements of the new Comprehensive Performance Assessment.

RESOLVED – That the Audit and Inspection Plan 2008/09 be noted.

A15. EXTERNAL AUDIT PLAN 2007/08 - The Director of Corporate Services submitted a report (previously circulated), together with a copy of the 2007/08 draft Audit Plan (also previously circulated), which had been prepared by the Council's external auditor PriceWaterhouseCoopers (PwC) and had subsequently been approved by Officers.

Paul Harrison, Audit Senior Manager from PwC, presented the Plan and referred specifically to the Audit Risks identified during the Audit planning process and its proposed responses to those risks.

RESOLVED – That the External Audit Plan for 2007/08 be noted.