

AUDIT COMMITTEE

26th September, 2008

PRESENT - Councillor A. Scott (in the Chair); Councillor Johnson and Mr. J. Morton (3)

APOLOGIES – Councillor Baldwin.

ABSENT -

OFFICERS - David Hall, Assistant Director, Accounting Services and Local Taxation, Brian James, Head of Corporate Assurance and George Cornforth, Risk and Insurance Manager.

ALSO IN ATTENDANCE – Janet Eilbeck, Paul Harrison and Simon Clegg from PriceWaterhouse Coopers and Ian Jones, Chief Internal Auditor, Stockton Borough Council.

A16. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A17. MINUTES – RESOLVED – That the Minutes of the meeting of this Committee held on 27th June, 2008, having been circulated, be taken as read and approved as a correct record.

A18. XENTRALL AUDIT PLAN 2008/09 – The Director of Corporate Services submitted a report (previously circulated) together with a report (also previously circulated) issued by the Chief Internal Auditor of Stockton Borough Council outlining the progress made against the 2008/09 Xentrall Audit Plan, which had been developed following consultation with the Xentrall Management Board, Darlington Borough Council’s Audit Section and the External Auditors of both Councils.

The submitted report stated that, to date, two audits had been completed namely a review of partnership governance arrangements and the ICT environmental controls, both of which had resulted in substantial assurance opinions.

Discussion ensued on the current position in relation to the on-going audit review work and the timetable for completion of those reviews and it was reported by Stockton’s Chief Internal Auditor that although the Partnership had gone live on the 1st May, there did need to be a settling in period prior to the audits commencing, however they would be completed by the end of the 2008/09 financial year.

Discussion also ensued on the working relationship between the Audit Sections of both Councils designed to prevent duplication or omissions in audit coverage; and further follow-up work to be undertaken to review the Partnership and governance arrangements.

RESOLVED – That the report be noted.

A19. RISK MANAGEMENT 2008/09 – PROGRESS REPORT – The Director of Corporate Services submitted a report (previously circulated) updating Members on the approach to and outcomes from the Council’s Risk Management processes.

The submitted report outlined the background to the Council's Risk Management Strategy, which was a fundamental part of the Cipfa/SOLACE framework on Corporate Governance and an integral requirement of the Comprehensive Performance Assessment.

References were made to the Council's approach to risk management which had proved to be successful for a number of years and had continued to receive external recognition, the risks highlighted on a departmental basis which had been identified above the risk appetite line and the improvement actions taken thereon; and a recent initiative to produce a 'Risk Aware' newsletter for distribution to staff and schools which had been well received.

Discussion ensued on the emerging risk concerning the international economic downturn; a number of training initiatives which had been developed and planned in relation to risk management for both staff and Members; funding available for training, and the role of Departmental Senior Management Teams to monitor risks within their areas.

Mr. Morton commented that the report was positive and that it demonstrated that risk management was embedded throughout the Authority and Members should take confidence in the report.

RESOLVED – That the Risk Management Progress report for 2008/09 be noted.

A20. AUDIT OF ACCOUNTS 2007/08 – The Director of Corporate Services submitted a report (previously circulated) providing Members with information on the outcome of the audit of the Council's 2007/08 accounts and Use of Resources and seeking approval to conclude the accounts based on Officers recommendations, with regard to issues arising from the Audit.

It was reported that the draft Statement of Accounts for 2007/08 had been approved by the Audit Committee in June 2008 and, in accordance with statutory requirements, had subsequently been audited by the Council's external auditors, PricewaterhouseCoopers (PWC).

The Assistant Director, Accounting Services and Local Taxation, referred to three misstatements in the accounts and the reasons for those misstatements and he reported that, as none of the items concerned were material in the context of the Statement of Accounts as a whole, the Officers proposed not to adjust the accounts.

Following a question by a Member, the Assistant Director, Accounting Services and Local Taxation reported that the definition of material in this instance meant that the scale of what was being proposed not to adjust was not significant in terms of the Council's overall financial standing.

A copy of PWC's report on the results of their audit on the 2007/08 accounts and the Use of Resources Conclusion was appended to the submitted report and Janet Eilbeck, Accounts and Governance Specialist from PWC reported that she was pleased to report that its programme of detailed audit work as set out in the Audit Plan was close to completion, however, there were a number of areas where work still needed to be completed and work was being undertaken with Officers of the Council in this regard. It was anticipated that these would be resolved and the accounts would be signed shortly.

It was also reported that the audit work in relation to the Use of Resources was also now complete and that the Council's arrangements for securing economy, efficiency and effectiveness were adequate.

References were also made to the £35 million adjustment to reserves relating to Government grants and the reasons for this adjustment; the level of sundry debts which had been incorrectly classified as prepayments; a letter from an electorate in relation to the Council's tendering process; and the need for written representation from the Council to explain the reasons for not making the adjustments for the misstatements.

RESOLVED – (a) That the Auditor's ISA260 report on the Council's 2007/08 financial statements and use of resources be noted.

(b) That the 2007/08 accounts be not adjusted in respect of the items detailed in the submitted report.

A21. AUDIT SERVICES ANNUAL AUDIT PLAN 2008/09 – PROGRESS REPORT - The Head of Corporate Assurance submitted a report (previously circulated) updating Members on the progress made during the first five months of the year against the 2008/09 Annual Audit Plan.

References were made to the outcome of the Audit Assignments undertaken; significant outputs from consultancy work undertaken; and results or year-end projections of the Audit Services' Performance Indicators.

Particular reference was made to the audit work which was undertaken on the core financial system of corporate income that had resulted in a substantial assurance opinion and three further primary schools that were considered to have attained the Department for Children, Schools and Families Financial Management Standard. Following a question by a Member, it was reported that, in total, approximately half of the primary schools had now attained this Award and that a further 12 accreditation visits were planned in 2008/09

Reference was also made to the special investigation work which had been undertaken and the number of those cases which had been instigated through the Council's Whistleblowing Policy.

RESOLVED – That the progress report against the 2008/09 Annual Audit Plan be noted.

A22. AUDIT SERVICES – QUALITY MANAGEMENT SYSTEM – RE-CERTIFICATION – The Head of Corporate Assurance submitted a report (previously circulated) together with a report (also previously circulated) produced by external assessors, Lloyds register Quality Assurance Limited, following their visit to re-certify the Quality Management System as operated by the Council's Audit Services Section.

It was reported that the outcome of the visit was very positive, with the report concluding that the section continued to meet the requirements of the ISO 001:2000 Standard by maintaining and improving its management system and that no significant issues had been identified during the visit to prevent re-certification from being granted.

Following a question by a Member, it was reported that the Section had held the Standard for some 10 years, although the standard had changed over this time.

RESOLVED – That the report be noted.