

AUDIT COMMITTEE

26th June, 2009

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

OFFICERS - Brian James, Head of Corporate Assurance, Peter Carrick, Accounting Services Manager, John Bosson, Policy Adviser, Anthony Sandys, Supporting People and Housing Benefits Manager and Ciara Shimidzu, Corporate Information Governance Manager, within the Corporate Services Department.

ALSO IN ATTENDANCE – Simon Clegg, PriceWaterhouseCoopers

A2. DECLARATIONS OF INTEREST – Councillor Baldwin declared a non-prejudicial interest in Minute A6 below as his son and daughter-in-law work in the Housing Benefits Section. There were no other declarations of interest reported at the meeting.

A3. MINUTES – RESOLVED – That the Minutes of the meeting of this Committee held on 27th March and 21st May, 2009, having been circulated, be taken as read and approved as a correct record.

A4. AUDIT OF XENTRALL – PROGRESS REPORT – The Director of Corporate Services submitted a report (previously circulated) together with a report (also previously circulated) of 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 gave information on all of the audits previously reported, together with the final five audits now complete, one of which had been given full assurance, three of which had been given substantial assurance and one which warranted limited assurance. The reason for the limited assurance was set out in the submitted report.

RESOLVED – That the report be noted.

A5. 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 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 progress had continued in all areas of information governance across the Council as a direct result of the Corporate Information Governance Policy and that the Governance Team were now targeting service areas that required urgent assistance as well as delivering a strategic framework for the whole Council and developing approaches to managing information requests.

References were made to the increased number of information requests received; the work currently being undertaken as part of the Government Connects programme and the introduction of new security protocols and controls as a result of that programme; and the situation in relation to CCTV and data protection.

RESOLVED – That the continued progress in the area of Corporate Information Governance be noted.

A6 BENEFITS ENQUIRY UNIT – ANNUAL REPORT 2008/09 – The Director of Community Services submitted a report (previously circulated) advising Members of the work of the Benefit Enquiry Unit, within the Housing Benefits Section of the Community Services Department for the financial year 2008/09.

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 2008/09, to prevent, detect and investigate benefit fraud.

Details of the Housing Benefit sanctions issued in 2008/09 were detailed in the submitted report and it was also reported that in 2008/09 for the first time, a private landlord had been successfully prosecuted and a further two prosecutions against private landlords were currently being prepared.

RESOLVED – That the report be noted.

A7. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2008/09 – The 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 2008/09.

Particular references were made to the definition of the System of Internal Audit by the CIPFA Audit Panel in 2009, the approach taken in undertaking the review together with the evidence sources used; and the issues covered by the review.

RESOLVED – That the report be noted and the congratulations of this Committee be extended to Officers within the Audit Services Section within the Corporate Services Department.

A8. CORPORATE GOVERNANCE – UPDATE REPORT – The Chief Executive and the Director of Corporate Services 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.

The submitted report outlined the background and core principles of good governance, the recognition by this Council’s Auditors, PriceWaterhouse Coopers (PWC) of the Local Code as a key management tool for strengthening and improving the Council’s corporate governance arrangements; specific Member training on the key documents and functions and a presentation on corporate governance given by the Borough Solicitor to the Senior Manager’s 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 the progress 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, changes to the Council’s performance management framework, further minor changes to the Contract Procedure Rules following their adoption in May 2008, the implementation of a revised complaints process on 1st April, 2009, the continued monitoring of the Corporate Information Governance Policy, Anti-fraud and corruption arrangements, a review of the Treasury Management Strategy in light of the global economic situation, and progress on the implementation of both the Employee’s and Members’ Code of Conduct;

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

A9. TREASURY MANAGEMENT – The Director of Corporate Services submitted a report (previously circulated) providing Members with information regarding the Council’s treasury management activity, with specific reference to a recent Audit Commission report.

It was reported that, following the exceptional events over the past year in global financial sectors, the Audit Commission had recently published a report entitled ‘Risk and Return – English Local Authorities and the Icelandic Banks’, which recommended, amongst other things, the future involvement of Audit Committees in setting treasury management policies.

It was reported that the Council’s Treasury policies, procedures and management had safeguarded investments and, unlike over 100 other authorities, the Council had not incurred any losses in the collapse of the Icelandic banks and that further review of procedures was being carried out in light of the Audit Commission report.

RESOLVED – (a) That the report be noted and the recommendations of the Audit Commission in its report be noted.

(b) That a further report be submitted to a meeting of this Audit Committee in September, 2009, to update Members on the review of the Council’s treasury management and to consider its future role.

A10. MANAGERS' ASSURANCE STATEMENTS – The Director of Corporate Services submitted a report (previously circulated) advising Members of the outcome from 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 2009 Managers' Assurance Statements had identified an overall positive position and that required improvements largely focussed on the continued development of the learning management software to better record acceptance and understanding by employees and members of a range of corporate policies/processes. Statements had also been completed by secondary schools and were being rolled out to primary schools on a phased basis.

RESOLVED – That the report be noted.

A11 – AUDIT SERVICES' ANNUAL REPORT 2008/09 – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services' Annual Report (also previously circulated) for 2008/09. 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 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 with a control environment that is generally sound.

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

RESOLVED – That the Audit Services' Annual Report for 2008/09 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 2008/09 – STATEMENT OF ACCOUNTS 2008/09 – The Director of Corporate Services submitted a revised report (circulated at the meeting) seeking approval of the Council’s draft Statement of Accounts for 2008/09, 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 2008/09 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 2008/09 be approved.

A14. EXTERNAL AUDIT PLAN – 2008/09 – The Director of Corporate Services submitted a report (previously circulated), together with a copy of the 2008/09 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.

Simon Clegg, Audit Manager, Accounts from PwC, presented the Plan to Members.

RESOLVED – That the External Audit Plan for 2008/09 be noted.