

AUDIT COMMITTEE

29th June, 2012

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

APOLOGIES –

OFFICERS – Brian James, Head of Corporate Assurance, Elaine Hufford, Finance Manager, Risk and Treasury and John Bosson, Strategy and Performance Manager.

ALSO IN ATTENDANCE

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 23rd March, 2012, having been circulated, be taken as read and approved as a correct record.

A3. 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 internal audit effectiveness.

The submitted report outlined that the Accounts and Audit (England) Regulations 2011 required Council's 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 considered formally by a Committee of the Council. The findings of the reviews underpin the Annual Governance Statement to accompany the Statement of Accounts for 2011/12.

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 relied upon.

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 the 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.

A4. REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT 2011/12 - The Director of People submitted a report (previously circulated) advising Members of the work of Revenues and Benefits in respect of Counter Fraud activity for the financial year 2011/12.

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 2011/12.

Discussion ensued on 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.

RESOLVED – That the report be noted.

A5. TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PERFORMANCE INDICATORS 2011/12 – The Director of Resources submitted a report (previously circulated) providing Members with information regarding the regulations and management of the Council’s borrowing, investments and cash-flow and seeking approval of the Prudential Indicators results for 2011/12 in accordance with the Prudential Code.

It was reported that the financial year 2011/12 had again presented exceptional circumstances with regard to treasury management and the main implications for the Council were included in the submitted report.

It was also reported that the Council’s treasury management activity during 2011/12 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 £0.560 million had been achieved from the original Medium-Term Financial Plan.

RESOLVED – (a) That the outturn 2011/12 Prudential Indicators within the submitted report and those detailed in the submitted appendix, be noted.

(b) That the Treasury Management Annual Report for 2011/12 be noted.

(c) That the submitted report be referred to Cabinet and Council, in order for the Prudential Indicators for 2011/12 to be noted.

(d) That this Committee recognises that a cautious approach is prudent at this time.

A6. 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 2011/12 Xentrall Audit Plan.

It was reported that four audits were presented, all of which had received substantial assurance.

RESOLVED – That the progress report be noted.

A7. MANAGERS’ ASSURANCE STATEMENTS – The Director of Resources submitted a report (previously circulated) advising Members of the outcome from the 2011/12 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 the MAS had identified an overall positive position and that common themes which had been highlighted related to the need to adequately test the Business Continuity Plans for priority services and future Equalities training and awareness and that these were to be addressed by the implementation of appropriate action plans during the 2012/13 financial year.

RESOLVED – That the report be noted.

A8. CORPORATE GOVERNANCE – UPDATE REPORT – The Director of Resources submitted a report (previously circulated) updating Members on the progress on the application of Corporate Governance within the Authority, in line with the Council’s current Local Code of Corporate Governance, which had previously been approved by this Council.

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 Members and Officer training on the key documents and functions.

Particular reference was made to the progress in a number of areas, particularly in relation to the implementation of the Localism Act 2011, the development of a new Communications Strategy, changes in the Council’s Partnership arrangements, the development of a new Commissioning and Procurement Framework, the publication of an Equality Analysis and Equality Objectives within required timescales, the Council’s ICT Strategy, the development of an Information Governance Work Programme, budget management and the Medium Term Financial Plan.

RESOLVED - That the report be noted.

A9. AUDIT SERVICES’ ANNUAL REPORT 2011/12 – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services’ Annual Report (also previously circulated) for 2011/12. The submitted report made reference to the internal audit service provided, operational performance achieved, audit assignment, consultancy/corporate arrangements work and contingency activity undertake, 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 2011/12 be noted.

A10. 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.