

**AUDIT COMMITTEE**

18<sup>th</sup> December, 2009

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

**APOLOGIES** – Mr. J. Morton

**OFFICERS** – Brian James, Head of Corporate Assurance, Elaine Hufford, Financial Services Manager, within the Corporate Services Department, John Bosson , Policy Advisor within the Chief Executive’s Department and Anthony Sandys, Supporting People and Housing Benefits Manager.

**ALSO IN ATTENDANCE** – Paul Harrison, PriceWaterhouseCoopers.

**A25. DECLARATIONS OF INTEREST** – Councillor Baldwin declared a non-prejudicial interest in Minute A28 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.

**A26. MINUTES – RESOLVED** – That the Minutes of the meeting of this Committee held on 25th September, 2009, having been circulated, be taken as read and approved as a correct record.

**A27. 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 2009/10 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.

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

**A28. REVIEW OF THE ANTI-FRAUD AND CORRUPTION ARRANGEMENTS** – The Director of Corporate Services submitted a report (previously circulated) on a review of the Council’s anti-fraud and corruption arrangements which had been undertaken and outlining a number of improvement actions implemented as a result of a previous review reported to this Committee in March 2009.

It was reported that the Anti-Fraud and corruption arrangements had been further reviewed in the light of a recent Audit Commission publication ‘Protecting the Public Purse’ and the National Fraud Strategy and that a self assessment against a checklist, included within the ‘Protecting the Public Purse’ publication to assess governance arrangements had been completed and that a positive position had been found.

It was also reported that, overall, the total number of reported frauds had remained low which demonstrated the continued general soundness of the Council’s internal control environment and existing arrangements and that the Council’s external auditors had also reviewed the Council’s arrangements for the National Fraud Initiative (NFI) 2008 and there were no reported concerns.

The submitted report also outlined the work and the continued improved results of the Housing Benefits Fraud Team and suggested minor amendments to the Housing Benefit/Council Tax Anti Fraud Policy, Strategy and the Housing Benefit Sanctions Policy to reflect changes in terminology and to provide greater detail of the types of training available to staff.

Particular reference was made to the possibility of information on the percentage amount of Housing Benefit recovered being included in future reports.

**IT WAS AGREED** – That the content of the report be noted and that the updated Housing Benefit/Council Tax Anti-Fraud Policy, Strategy and Sanctions Policy, as appended to the submitted report, be approved.

**A29. RISK MANAGEMENT STRATEGY** – The Director of Corporate Services submitted a report (previously circulated) advising Members of proposed changes to the Council’s Risk Management Strategy to make reference to the Sustainable Community Strategy One Darlington Perfectly Placed and to reflect the Council’s new planning methodology, Outcome Based Accountability and future business model.

A revised copy of the Risk Management Strategy was appended to the submitted report.

**IT WAS AGREED** – That the revised Risk Management Strategy be endorsed and referred to Cabinet for approval.

**A30. CORPORATE GOVERNANCE UPDATE REPORT** – The Director of Corporate Services and the Chief Executive submitted a report (previously circulated) updating Members on progress on the application of Corporate Governance within the Authority, in line with the Council’s current Local Code of Corporate Governance, which had been approved by Council in 2008.

The Policy Officer reported that, overall, positive progress was being made on the application of Corporate Governance within the Authority and 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, introduction of the new national indicator set, revised Capital Project management arrangements, service planning, the implementation of the revised corporate complaints process, revised arrangements for treasury management, training for Members on the new Member Code of Conduct and the work of the Standards Committee.

Discussion ensued on the current economic climate and whether the aspirations and targets within the Sustainable Community Strategy were still valid and achievable and the future plans for auditing on a regular basis, application of the Council’s capital projects methodology.

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

**A31. PRUDENTIAL INDICATORS UPDATE AND TREASURY MANAGEMENT HALF-YEAR REVIEW 2009/10** – The Director of Corporate Services submitted a report (previously circulated) seeking approval of revised Prudential Indicators and providing a half-yearly review of the Council’s borrowing and investment activities.

It was reported that the mandatory Prudential Code, which governed Council's borrowing, required Council approval of controls, called Prudential Indicators, which related to capital spending and borrowing. The Indicators were set in three statutory annual reports and the key objectives of those reports were set out in the submitted report, together with the key proposed revisions to the Indicators.

Members examined the Prudential Indicators and the Treasury Management Half yearly year and were satisfied with the Council's borrowing and investment activities and the reported prudential indicators.

**IT WAS AGREED** – (a) That the submitted report be referred to Cabinet to enable the updated prudential indicators to be approved and that Cabinet be advised that this Audit Committee is satisfied with the Council's borrowing and investment activities and the reported prudential indicators.

(b) That the Treasury Management Half-yearly review be noted.

**A32. AUDIT SERVICES ANNUAL AUDIT PLAN 2009/10 – PROGRESS REPORT** – The Head of Corporate Assurance submitted a report (previously circulated) outlining the progress made during the first eight months of the year against the 2009/10 Annual Audit Plan.

References were made to the outcome of the Audit Assignments undertaken and those in progress; significant outputs from consultancy/corporate arrangements work/contingency activity carried out; and results or year-end projections of the Audit Services' Performance Indicators.

It was reported that the operational targets were likely to be achieved, although there was a possibility that the target for completed audit assignments relative to the agreed Audit Plan would not be met if further special investigations were necessary.

**IT WAS AGREED** – That the progress report against the 2009/10 Annual Audit Plan be noted.

**A33. ANNUAL AUDIT LETTER 2008/09** – Submitted – With the prior approval of the Chair to the matter being treated as urgent to enable Members to be advised of the results of the external assessment at an early date, the Director of Corporate Services submitted a report (previously circulated) together with a copy of the Annual Audit Letter for 2008/09.

It was reported that overall the Letter was positive and, in terms of value for money, PwC had commented that 'in all significant respects, Darlington Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March, 2009'.

A number of key messages for the Council were included in the Letter together with a number of matters affecting future periods, such as the financial pressures on local authorities and the transition to International Financial Reporting Standards.

**RESOLVED** – That the Annual Audit Letter for 2008/09 be noted.