

AUDIT COMMITTEE

25th September, 2009

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

APOLOGIES – Mr J Morton

ABSENT -

OFFICERS – David Hall, Assistant Director, Accounting Services and Local Taxation, Brian James, Head of Corporate Assurance, Peter Carrick, Accounting Services Manager, Elaine Hufford, Financial Services Manager and Colin Morrison, Health and Safety Manager.

ALSO IN ATTENDANCE – Paul Harrison, PriceWaterhouseCoopers

A15. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A16. MINUTES – RESOLVED – That the Minutes of the meeting of this Committee held on 26th June, 2009, having been circulated, be taken as read and approved as a correct record.

A17. 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.

In terms of audit opinion, it was reported that implementation of the new PSE payroll system had been given full assurance and that income had been given substantial assurance.

RESOLVED – That the report be noted.

A18. CORPORATE HEALTH AND SAFETY REPORT 2008/09 – The Director of Corporate Services submitted a report (previously circulated) advising Members of the performance on health and safety within the Authority together with both progress and future actions associated with the implementation of the Council's plans for health and safety management.

The submitted report outlined the approach to occupational health and safety adopted by the Corporate Health and Safety Unit which had, to date, proved to be effective with the continuing year on year reductions in accidents and lost time as a result of accidents across the authority.

Particular references were also made to the work being undertaken with schools and the growing lines of communication between them and the Safety Unit which was steadily helping to improve the overall health and safety culture of the schools; the implementation of the Occupational Health and Safety Assessment series (OHSAS) 18001 across Building Services, the updating of the Corporate Health and Safety Policy Statement of Intent to include a section on occupational road risk; in-house health and safety training courses which had been held and a brief outline of the key objectives of the Unit for 2009/10.

RESOLVED – (a) That the progress of the Health and Safety Unit to date and the key planned actions for 2009/10 be noted.

(b) That the thanks and congratulations of this Audit Committee be extended to the Health and Safety Unit for their work.

A19. AUDIT OF ACCOUNTS 2008/09 – The Director of Corporate Services submitted a report (previously circulated) providing Members with information on the outcome of the audit of the Council’s 2008/09 accounts and Use of Resources assessment 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 2008/09 had been approved by the Audit Committee in June 2009 and, in accordance with statutory requirements, had subsequently been audited by the Council’s external auditors, PricewaterhouseCoopers (PWC).

The submitted report referred to a small number of misstatements in the accounts and the reasons for those misstatements and 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.

A copy of PWC’s report on the results of their audit on the 2008/09 accounts and the Use of Resources conclusion was appended to the submitted report. Paul Harrison from PWC reported that he 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 by 30 September, 2009.

It was also reported that the audit work in relation to the Use of Resources was also now complete and that the outcome from that assessment was positive with the Council scoring 3 out of 4 overall, in what was a much more rigorous assessment than previously conducted.

Discussion ensued on the trading operations in relation to Building Control, and Catering and School meals, which were in deficit positions at the year-end and the need to closely monitor and review those operations in order to improve the financial position in the future.

RESOLVED – (a) That the Auditors ISA 260 report on the Council’s 2008/09 financial statements be noted.

(b) That the 2008/09 accounts be not adjusted in respect of the items detailed in table 1 of the submitted report.

(c) That the Use of Resources score be noted.

A20 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – PRIORITIES FOR THE COUNCIL – The Director of Corporate Services submitted a report (previously circulated) advising Members of the significant pieces of work needed to be undertaken to prepare financial statements for the Council, which were compliant with the International Financial Reporting Standards (IFRS).

The submitted report outlined the background to the introduction of the International Financial Reporting Standards which were accounting standards issued by the International Accounting Standards Board (IASB) and the statutory requirement for all local authority financial statements to be IFRS compliant by 2010/11.

Reference was made to the measures the Council would have to take in order to be IFRS compliant, which included revising its accounting policies, changing the format of its financial statements and a significant number of additional disclosures. An Action Plan (also previously circulated) had been developed to ensure that the Council complied with the relevant requirements and timescales and which included a requirement for this Audit Committee to be involved and informed of the process.

Discussion ensued on the possibility of training being held for Members in relation to the requirements and this Committee to continue to be updated on the progress of implementation

RESOLVED – (a) That the Action Plan, as attached to the submitted report, and the priorities identified to enable the Council to ensure that they produce IFRS compliant financial statements be noted and approved.

(b) That the Impact Assessment of the effect on the Income and Expenditure Account and Balance Sheet under IFRS be noted and approved.

(c) That this Audit Committee be given training on the implications of OFRS and be kept informed on a six-monthly basis of the progress with implementation.

A21. TREASURY MANAGEMENT – The Director of Corporate Services submitted a report (previously circulated) advising Members of the proposed key changes to the CIPFA Revised Treasury Management Code and the role of this Committee in ensuring effective examination of the Council’s Treasury Management strategy and policies.

It was reported that, following the exceptional events over the last 18 months in the financial market, the Audit Commission had published a national report in March 2009 entitled ‘Risk and Return’ - English Local Authorities and the Icelandic Banks’ and that following the publication of that report, CIPFA had produced a revised Treasury Management Code for consultation which proposed four key changes to the Code.

The changes to the Code, together with the Council’s proposed responses were included in the submitted report and it was suggested that, in future, detailed examination of the Council’s treasury management function should be undertaken by this Committee and that the terms of reference of this Committee be amended accordingly.

RESOLVED – (a) That the Council’s responses and changes in practices, as detailed in tables 1 and 3 of the submitted report, be noted and approved.

(b) That it be recommended to Council that the Terms of Reference of this Committee be amended to include :-

‘to examine and comment on proposed Treasury Management Policy and Annual Strategies’

A22. AUDIT SERVICES – QUALITY MANAGEMENT SYSTEM SURVEILLANCE REPORT – The Head of Corporate Assurance submitted a report (previously circulated)

advising Members of the outcomes from the Quality Management Surveillance Report issued by Lloyds Register Quality Assurance Limited in the respect of Audit Services' Quality Management System.

It was reported that the outcome of the Assessment was extremely positive and that Audit Services continued to meet the requirements of the ISO 9001:2000 Standard by maintaining and improving its management system and no specific issues had been highlighted that would affect certification.

The Head of Corporate Assurance reported that the ISO 9001:2000 Standard had now been updated and replaced by the ISO 9001:2008 Standard and that during 2009/10 Audit Services would be required to re certify to this new version to ensure accreditation is maintained.

RESOLVED – That the report be noted.

A23. RISK MANAGEMENT – PROGRESS REPORT 209/10 – The Director of Corporate Services submitted a report (previously circulated) updating Members on the approach to and the outcomes from the Risk Management process.

It was reported that risk management 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 the services it provides and was an integral requirement of the Council's Use of Resources Assessment.

References were made to the Council's approach to risk management which continued to be 'well bedded' within the Authority and 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; the continued production of the Council newsletter Risk Aware, a programme of risk management training and work being undertaken with schools.

RESOLVED – That the report be noted.

A24. AUDIT SERVICES ANNUAL AUDIT PLAN 2009/10 – 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 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.

RESOLVED – That the progress against the 2009/10 Annual Audit Plan be noted.