

AUDIT COMMITTEE

25th June, 2010

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

APOLOGIES – Janet Eilbeck, PricewaterhouseCoopers

ABSENT –

OFFICERS – Brian James, Head of Corporate Assurance, Peter Carrick, Accounting Services Manager, Elaine Hufford, Financial Services Manager, Corporate Services Department, Maggie McCulloch, Benefits Supervisor, Community Services Department and Andrew Barber, Senior Audit Team Manager, Stockton Borough Council.

ALSO IN ATTENDANCE –

A2. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A3. MINUTES – RESOLVED – That the Minutes of the meetings of this Committee held on 26th March and 20th May, 2010, having been circulated, be taken as read and approved as correct records.

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 2009/10 Xentrall Audit Plan.

Particular reference was made to the disaster recovery audit assignment and it was reported that this assignment had been given a limited assurance as the back-up systems had not yet been fully tested, although it was planned to do this in the near future; and the need for this Committee to be kept informed of customer satisfaction with Xentrall Shared Services.

RESOLVED – (a) That the progress report be noted.

(b) That the Officers be requested to provide an update on the current position of the disaster recovery audit assignment to the meeting of this Committee to be held in December 2010.

(c) That the Officers be requested to report the outcomes from the latest customer satisfaction survey of Xentrall Shared Services to the meeting of this Committee to be held in December 2010.

A5. BENEFITS ENQUIRY UNIT ANNUAL REPORT 2009/10 – 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 2009/10.

The submitted report outlined the role of Benefit Enquiry Unit as a key element of the Council's Anti-Fraud and Corruption arrangements, the changes in content from previous years, the increase in successful sanctions in fraud prosecutions obtained and the positive performance

achieved during 2009/10.

References were also made to the day-to day responsibility of the Unit to administer the Housing Benefit and Council Tax Benefit Schemes, the staffing resource within that Unit, the policies, strategies, teams and organisations working together to produce an anti-fraud culture, performance data and staff training.

It was also reported that the Housing Benefit Counter Fraud Team had continued to improve its performance with regards to the number of sanctions and prosecutions it generated in the financial year.

Particular reference was made to the amount of overpaid benefits and the anticipated recovery of those debts and it was reported that those overpayments would continue to be actively pursued until there were deemed irrecoverable.

RESOVLED - That the Benefit Enquiry Unit Annual Report for 2009/10 be noted.

A6. TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2009/10 – The Director of Corporate Services submitted a report (previously circulated) providing Members with information regarding the regulation and management of the Council’s borrowing, investments and cash-flow and seeking approval of the Prudential Indicators results for 2009/10 in accordance with the Prudential Code.

It was reported that the financial year 2009/10 had again presented exceptional circumstances with regard to treasury management and the main implications for the Council were included in the submitted report. The Council had, in the early part of 2009/10, reduced its overall external debt by using investments to repay debt, and external debt and investments were both reduced by £23.4 million during May and June 2009, with external debt not increasing since then and a resultant net reduction in financing costs with significant savings to the revenue budget.

It was also reported that the Council’s treasury management activity during 2009/10 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 £1.091 million had been achieved from the original Medium-Term Financial Plan as a result of a number of actions taken throughout the year to manage the financing costs in the changing economic climate.

Discussion ensued on the appointment of Butlers, as the Council’s treasury management advisors, and the extension of their contract, in 2010, for a further two years.

RESOLVED – (a) That the outturn 2009/10 Prudential Indicators within the submitted report and those in the attached appendix, be noted.

(b) That the Treasury Management Annual Report for 2009/10 be noted.

(c) That the submitted report be referred to Cabinet and Council, in order for the Prudential Indicators for 2009/10 to be approved.

A7. TREASURY MANAGEMENT BENCHMARKING – SECURITY, LIQUIDITY AND YIELD – Following a request by Members at a previous meeting of the Audit Committee, the Director of Corporate Services submitted a report (previously circulated) providing Members with details of outturn relating to the benchmarking of investments set for 2010/11 for the Security, Liquidity and Yield of Investments.

RESOLVED – That the results of the Security, Liquidity and Yield benchmarking to date for 2010/11 be noted.

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 for Corporate Governance within the Authority, in line with the Council’s current Local Code of Corporate Governance, which was approved by the Council in 2008.

The submitted report outlined the background and core principles of good governance, the recognition by this Council’s Auditor’s PriceWaterhouseCoopers (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 the re-launch of the learning software to better record acceptance and understanding by Officers and Members of a range of corporate policies/processes with implementation on a phased basis scheduled during 2010.

Particular references were made to the progress made in a number of areas, namely the Sustainable Community Strategy and the Local Area Agreement, social inclusion and equalities, performance management, service planning, the complaints process for the Council the Council’s ICT Strategy, revised arrangements in relation to treasury management activity and subsequent training for both Members and Officers and the work of the Standards Committee.

RESOLVED – That the report be noted.

A9. 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. The majority of schools in Darlington had also completed a Managers Assurance Statement know as a Statement of Internal Control (SIC) during 2009/10 and that all schools were scheduled to complete SIC’s from 2010/11.

It was reported that the review of the 2010 Managers’ Assurance Statements had identified an overall positive position and had identified the importance of the learning management software (CLMS) as a tool to raise employees’ awareness of a range of corporate policies/processes. In addition, it was also reported that the completed Managers’ Assurance Statements had also highlighted the need to update departmental procedures particularly to cover new working practices and staff infrastructure and to access training for relevant staff in specific areas i.e. equalities, complaints and project management.

RESOLVED – That the report be noted.

A10. 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 respect of the Audit Services’ Quality Management System.

It was reported that the outcome of the Assessment was extremely positive and that Audit

Services met the requirements of the ISO 9001:2008 Standard and that the surveillance visit had concluded that ‘the management system does effectively support the delivery of services that meet all requirements. Tight controls over work are exercised and the results against performance indicator targets demonstrate the success of the controls.’

RESOLVED – That the report be noted.

A11. AUDIT SERVICES’ ANNUAL REPORT 2009/10 – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services’ Annual Report (also previously circulated) for 2009/10. 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 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, demonstrate that the Council continued to operate within a control environment that is generally sound.

In addition, the positive position upon Audit Services’ Key Performance Indicators was reported, including the Council scoring a three under the Use of Resources methodology.

Particular reference was made to the current position in relation to the implementation of the Plastic Card Industry Data Security Standard.

RESOLVED – That the Audit Services’ Annual Report for 2009/10 be noted.

A12. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2009/10 – 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 2009/10.

Particular reference was 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.

In conclusion, the review team considered that the Council had an effective system of internal audit and that the self assessments, appended to the submitted report, were factual, essentially satisfied all the key requirements and, taken together with 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.

A13. 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.

Reference was made to the work of this Committee and possible ways of highlighting and promoting the work undertaken.

RESOLVED – That the draft Annual Governance Statement, as appended to the submitted report, be approved.

A14. STATEMENT OF ACCOUNTS 2009/10 – The Director of Corporate Services submitted a report (previously circulated) seeking approval of the Council's draft Statement of Accounts for 2009/10, 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 outlined the key issues to be brought to Members' attention and it was reported that, at 31st March, 2010, the Council had reserves of £12.215 million against the assumed reserves in the MTFP approved by Council in February 2010 of £11.560 million.

Discussion ensued on the training which had been held on the International Financial Reporting Standards (IFRS) and the possibility of Members of this Committee receiving more specific training on the primary accounts contained within the Statement of Accounts prior to consideration of the update report in September, 2010.

RESOLVED – (a) That the draft Statement of Accounts for the Financial Year 2009/10 be approved.

(b) That the Officers be requested to arrange a further training session on the International Financial Reporting Standards with specific reference being placed on the primary accounts contained within the Statement of Accounts before the update report to be submitted to this Committee in September, 2010.