

## AUDIT COMMITTEE

28th June, 2007

PRESENT – Councillors Baldwin and Johnson and Mr. J.Morton. (3)

APOLOGIES – Councillor Thistlethwaite

ABSENT

**A1. CHAIR – RESOLVED** - That Councillor Baldwin be appointed Chair of this Committee for the remainder of the Municipal Year 2007/08.

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

**A3. MINUTES – RESOLVED** - That the Minutes of the meeting of this Committee held on 28th March, 2007, having been circulated, be taken as read and approved as a correct record.

**A4. HOUSING BENEFITS COUNTER-FRAUD ANNUAL REPORT 2006/07** – The Director of Community Services submitted a report (previously circulated) advising Members of the work of the Housing Benefits Enquiry Unit, within the Housing Benefits Section of the Community Services Department for the financial year 2006/07.

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 2006/07, to prevent, detect and investigate benefit fraud.

Reference was made to the BVPI's for the service and it was reported that Darlington had improved its performance in respect of the indicators in 2006/07 and that performance was above the national average.

Discussion ensued on the approximate number of claims for housing benefit made per year; whether information on fraudulent claims was shared between authorities; and the feasibility of establishing an 'on-line' facility for people to be able to report their suspicions of benefit fraud.

**RESOLVED** – That the Benefit Enquiry Unit Annual Report 2006/07 be approved.

**A5. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2006/07** – The Assistant 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 the background to the Accounts and Audit (Amendment) Regulations 2006, which 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 were also required to be part of the system of internal control that supports the annual Statement of Internal Control, which in turn, supports the Authority's financial statement.

It was reported that a group of Officers, independent of the Audit function and the department, had been established to undertake the review and references were made to the evidence sources used and the issues covered by the review.

Following its investigations, the group had concluded that the Council had an effective system of Internal Audit and highlighted some minor areas for improvement which were contained in an Improvement Action Plan appended to the submitted report.

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

**A6. MANAGERS' ASSURANCE STATEMENTS** – The Director of Corporate Services submitted a report (previously circulated) advising Members of the outcome of the Managers' Assurance Statements, which were required to be completed by representatives on 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 Statement of Internal Control.

It was also reported that from completed Statements, generally, the position was positive and certain points noted were to be addressed.

Discussion ensued on the possibility of raising the profile and work of the Audit Committee and the progress on the roll-out of the Cetus Learning Management Policy System to staff in Corporate Services.

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

**A7. ANNUAL RISK MANAGEMENT REPORT 2006/07** – The Director of Corporate Services submitted a report (previously circulated) advising Members of the approach to and outcomes from the Council's Risk Management processes for 2006/07.

The submitted report outlined the background to risk management, which 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 services provided. The Chief Internal Auditor also reported that risk management was an integral requirement of the Comprehensive Performance Assessment and an important element in demonstrating continuous improvement as well as being part of the Council's Local Code of Corporate Governance that reflected the requirements of the Cipfa/SOLACE framework on Corporate Governance.

References were also made to the background to the management of risks within the Authority; the authority's score for risk management under the Corporate Performance Assessment (CPA); the positive progress in risk management processes during 2006/07; and the risks identified on a departmental basis which had been identified as above the risk appetite line and the improvement actions taken thereon.

Particular reference was made to the external recognition received by the Council in relation to its pro-active risk management work and for its work in developing systems and technology to manage property risk using a corporate approach.

**RESOLVED** – That the Annual Risk Management Report for 2006/07 be noted.

**A8. AUDIT SERVICES' ANNUAL REPORT 2006/07** – The Chief Internal Auditor submitted a report (previously circulated) together with the Audit Services' Annual Report (also previously circulated) for 2006/07.

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 and particular references were also made to the progress made to enhance the corporate governance arrangements.

The Chief Internal Auditor reported the outcomes of the work undertaken by the service, demonstrated that the Council continued to operate with a control environment that was generally sound.

Discussion ensued on the success of the Audit Services Section in maintaining accreditation under the ISO 9001:2000 Quality Standard and the productive days per auditor which were top quartile as measured by the CIPFA Benchmarking Statistics for Unitary Authorities.

**RESOLVED** – That the Audit Services' Annual Report for 2006/07 be noted.

**A9. GRANTS AND RETURNS – EXTERNAL AUDIT SUMMARY REPORT** – The Director of Corporate Services submitted a report (previously circulated) together with a report (also previously circulated) of PriceWaterhouseCoopers (PwC) summarising the high level results of their grants testing in 2006/07.

The submitted report outlined the background to the requirement for grant claims and returns to be subjected to external audit, and it was reported that, following the external audit work undertaken by PwC, a number of grant claims and returns made by the Council during the year had been either qualified or required amendment.

In presenting the report, Paul Harrison, Engagement Manager and Use of Resources Audit Manager from PwC, referred to the results of the certification work undertaken and a number of recommendations for improvement which would be implemented by the Council.

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

**A10. ANNUAL AUDIT AND INSPECTION LETTER** – The Director of Corporate Services submitted a report (previously circulated), together with a copy of the Annual Audit and Inspection Letter.

It was reported that overall the Letter was extremely positive with the Audit Commission's overall judgement being that the Council was improving well and had been classified at the maximum four star in its current level of performance under the Comprehensive Performance Assessment.

A number of key messages for the Council were included in the Letter together with actions needed by the Council to continue its efforts to tackle crime and to improve performance on waste management and grant management arrangements.

**RESOLVED** – That the Audit and Inspection Letter be noted.

**A11. STATEMENT ON INTERNAL CONTROL** – The Director of Corporate Services submitted a report (previously circulated) seeking approval to the Council’s Statement on Internal Control (SIC), a document which was required to be published each year, in accordance with Regulation 4 of the Accounts and Audit Regulations 2006.

It was reported that the SIC, which outlined the Council’s responsibilities, explained the purpose of the system of internal control, set out the key elements of the internal control environment, detailed the review of its effectiveness, highlighted significant internal control issues and summarised future improvements, formed part of the Council’s overall Statement of Accounts and was required to be signed by the Leader and the Chief Executive.

**RESOLVED** - That the draft Statement on Internal Control, as appended to the submitted report, be approved.

**A12. STATEMENT OF ACCOUNTS 2006/07** – The Director of Corporate Services submitted a report (previously circulated) seeking approval of the Council’s draft Statement of Accounts for 2006/07, 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 2006/07 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.

A document detailing a number of amendments to the draft Statement of Accounts was circulated at the meeting.

**RESOLVED** – That the draft Statement of Accounts for the financial year 2006/07 be approved.

**A13. AUDIT AND INSPECTION PLAN 2007/08** – The Director of Corporate Services submitted a report (previously circulated), together with a copy of the 2007/08 Audit and Inspection Plan (also previously circulated) prepared by the Audit Commission and PriceWaterhouseCoopers (PwC), in consultation with Officers.

Paul Harrison, Paul Harrison, Engagement Manager and Use of Resources Audit Manager from PwC, presented the Plan, which set out the audit and inspection work that the Audit Commission and PwC proposed to undertake in 2007/08, which had been drawn up from PwC’s risk-based approach to audit planning and the requirements of the new Comprehensive Performance Assessment.

**RESOLVED** – That the Audit and Inspection Plan 2007/08 be noted.

**A14. EXTERNAL AUDIT PLAN 2006/07** – The Director of Corporate Services submitted a report (previously circulated), together with a copy of the 2006/07 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.

Paul Harrison, Engagement Manager and Use of Resources Audit Manager from PwC, presented the Plan and referred specifically to the Audit Risks identified during the Audit planning process and its proposed responses to those risks.

**RESOLVED** – That the External Audit Plan for 2006/07 be noted.

**A15. AUDIT SERVICES – ANNUAL AUDIT PLAN 2007/08** – The Chief Internal Auditor within the Corporate Services Department submitted a report (previously circulated) together with the Audit Services’ Audit Plan for 2007/08 and associated performance indicators (also previously circulated).

It was reported that progress against the Plan and performance measure would be reported to this Committee during the year.

Particular reference was made to the Performance Indicators for the service and it was suggested that the results of the CIPFA benchmarking statistics be reported to a future meeting of this Committee.

**RESOLVED** – (a) That the Audit Services’ Audit Plan for 2007/08 be approved.

(b) That the performance indicators to monitor the effectiveness of the Council’s internal control environment and the operational performance of the Audit Services, as appended to the submitted report, be noted.

**A16. AUDIT SERVICES – TERMS OF REFERENCE** – The Chief Internal Auditor within the Corporate Services Department submitted a report (previously circulated) requesting that approval be given to the Audit Services’ Terms of Reference (also previously circulated), which had been refreshed to reflect amendments to legislation and practice relating to corporate governance and a minor amendment to the definition of Internal Audit under the 2006 Code and to cover Audit Services’ relationship with this Committee.

It was reported that the Terms of Reference provided for an annual review to ensure their relevance was maintained and that approval was sought for any amendments.

**RESOLVED** – That the Audit Services’ Terms of Reference, as appended to the submitted report, be approved.

**A17. DATES OF FUTURE MEETINGS – RESOLVED** – That future meetings of this Committee be held at 4.30 p.m on the following dates :-

28th September, 2007

14th December, 2007

27th March, 2008

27th June, 2008

