

## AUDIT COMMITTEE

17<sup>th</sup> December, 2010

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

**APOLOGIES** – Mr. J. Morton

**ABSENT** –

**OFFICERS** – Brian James, Head of Corporate Assurance, Elaine Hufford, Financial Services Manager, Corporate Services Department.

**ALSO IN ATTENDANCE** – Paul Harrison and Neil Austin, PriceWaterhouseCoopers.

**A25. DECLARATIONS OF INTEREST** – There were no declarations of interest reported at the meeting.

**A26. MINUTES – RESOLVED** – That the Minutes of the meeting of this Committee held on 23<sup>rd</sup> September, 2010, having been circulated, be taken as read and approved as a correct record.

**A27. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL’S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR 2010/11** – The Director of Corporate Services submitted a report (previously circulated) together with a report (also previously circulated) of the Chief Internal Auditor outlining the progress made against the 2010/11 Xentrall Audit Plan. It was reported that one audit had been presented in relation to disaster recovery which had received substantial assurance.

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

**A28. MID-YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING** – 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 review and were satisfied with the Council’s borrowing and investment activities and the reported prudential indicators.

It was reported that the parent company of Butlers, the Council’s Treasury Management Advisors, had undertaken a review of the provision of its treasury consultancy services and, as a result, had transferred the treasury consultancy services to Sector Treasury Services Limited along with the majority of personnel from Butlers. To date, the advice and service received from Sector had been of a consistent standard to that received from Butlers.

An internal audit of the Council's treasury management function was conducted in August 2010 and full assurance had been achieved for all 14 of the risks that were assessed.

**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.

**A29. ANNUAL AUDIT LETTER 2009/10** –The Director of Corporate Services submitted a report (previously circulated) together with a copy of the Annual Audit Letter for 2009/10. It was reported that overall the Letter was positive and, in terms of the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources PricewaterhouseCoopers had issued an unqualified conclusion.

A number of key messages for the Council were included in the Letter and particular references were made to the pensions estimate, minor misstatements in the accounts, totalling £287,000 which it was reported were not material individually or in aggregate and the process and awareness raising around electors questions.

**RESOLVED** – That the Annual Audit Letter for 2009/10 be noted.

**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.

It was 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 which were detailed in the submitted report.

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

**A31. AUDIT SERVICES ANNUAL AUDIT PLAN 2010/11 – 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 2010/11 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 may not be met if Officers were required to attend court in relation to a number of special investigations which were currently on-going or if further investigations arose.

**RESOLVED** – That the progress report against the 2010/11 Annual Audit Plan be noted.

**A32. REVIEW OF THE ANTI-FRAUD AND CORRUPTION ARRANGEMENTS** – The Director of Corporate Services submitted a report (previously circulated) on the outcomes from the Council’s corporate anti-fraud and corruption arrangements.

The submitted report outlined the progress on the implementation of improvement actions resulting from a review of anti-fraud and corruptions arrangements which had been reported to this Committee in December 2009 and the positive responses to the updated fraud self-assessment checklist documented in the 2010 Audit Commission publication ‘Protecting the Public Purse’.

The Head of Corporate Assurance reported that the recently released CIPFA Better Governance Forum’s Fraud Risk Evaluation Diagnostic 1 would be used prior to the end of the financial year to evaluate the Council’s counter fraud arrangements to help inform the Annual Governance Statement and the 2011/12 Audit Plan.

It was reported that, overall, the number of reported frauds remained low but there had been an increase over the year in the number of whistle blowing cases received and that the Council’s anti fraud and corruption arrangements remained appropriate and fit for purpose when compared to national good practice guidance.

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