

AUDIT COMMITTEE

1st April, 2011

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

APOLOGIES – Mr. J. Morton

ABSENT –

OFFICERS – Brian James, Head of Corporate Assurance and Peter Carrick, Accounting Services Manager, Resources Group.

ALSO IN ATTENDANCE – Neil Austin, Simon Clegg and Claire Mellons, PricewaterhouseCoopers, Andrew Barber, Stockton Borough Council and Oliver Plumpton, Xentrall Shared Services.

(NOTE – At the conclusion of the meeting, the Audit Committee requested that its thanks be conveyed to David Hall – Assistant Director – Finance and Ian Jones, Chief Internal Auditor, Stockton Borough Council for their contribution to the work of this Committee).

A35. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A36. MINUTES – RESOLVED – That the Minutes of the meeting held on 17th December, 2010 and 28th January, 2011, having been circulated, be taken as read and approved as a correct record.

A37. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL’S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR 2010/11 AND THE PROPOSED PLAN FOR 2011/12 – The Director of Resources 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 2010/11 Xentrall Audit Plan and the proposed Xentrall Audit Plan for 2011/12.

It was reported that two of the on-going audits had now been completed and the outcomes would be reported to a future meeting of this Audit Committee.

RESOLVED – That the progress report and the proposed Audit Plan for 2011/12 be noted.

A38. ICT STRATEGY – IMPLEMENTATION PROGRESS REPORT – The Head of ICT and Design and Print submitted a report (previously circulated) on the progress in relation to the implementation of the ICT Strategy.

It was reported that the ICT Strategy focussed on five key programmes which included the delivery of a robust core architecture on which to deliver the service, the provision of flexible and efficient mobile and office based technologies; the implementation of robust and secure information management processes and systems; the management of

a robust governance framework for ICT projects and investments; and the advancement of standards and procedures within ICT with the aim of delivering excellent services.

Details of the progress against the key activities within each of the five programmes was included in the submitted report.

RESOLVED – That the progress on the implementation of the ICT Strategy be noted.

A39. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – UPDATE REPORT – The Director of Resources submitted a report (previously circulated) updating Members on the progress being made on the implementation of the International Financial Reporting Standards (IFRS).

The submitted report outlined the statutory requirement for all local authority financial statements to be IFRS compliant by 2010/11 and the work undertaken by this Council to ensure compliance. An Action Plan which had been produced to ensure that the Council complied with the relevant timescales and highlighted the substantial progress made to ensure that the Council was prepared for the introduction of IFRS was appended to the submitted report.

RESOLVED – That the report be noted.

A40. REVISION AND CONSOLIDATION OF THE ACCOUNTS AND AUDIT REGULATIONS 2003 – The Director of Resources submitted a report (previously circulated) updating Members on the main changes to the Accounts and Audit Regulations 2003.

The submitted report outlined the background to the Accounts and Audit Regulations which contained important provisions on financial management, annual accounts and audit procedures which affected all local authorities and a number of other public bodies; the subsequent amendments in 2006 and 2009; and the main changes in 2011, which related to the Statement of Accounts being audited prior to being submitted to this Committee for approval and the Statement of Internal Control (Annual Governance Statement) to accompany the published accounts to make it clear that it was not part of the accounts.

RESOLVED – That the report be noted

A41. ANNUAL RISK MANAGEMENT REPORT – The Director of Resources submitted a report (previously circulated) updating Members on the approach to and outcomes from the Risk Management processes for 2010/11.

It was reported that positive progress continued to be made within the Authority regarding the management of key strategic risks and with the work undertaken by the Corporate Risk Management Group to manage operational risk and that the Council's pro-active approach to risk management continued to produce positive results for the Authority.

RESOLVED – That the report be noted.

A42. ANNUAL CERTIFICATION REPORT 2009/10 – The Director of Resources submitted a report (previously circulated) together with a report (also previously

circulated) produced by PricewaterhouseCoopers (PwC), the Council's external auditors which summarised the high level results of their grants certificate testing.

It was reported that the external audit work undertaken identified that, out of the eight claims certified, three had been amended, and two had been amended and qualified and that, although this appeared to be over half of the claims, in reality PwC had no prescribed materiality threshold and the majority of the amendments or qualifications were for relatively minor amounts and not all of the amendments resulted in a financial impact on the claim.

Particular references were made to the 2009/10 Management Action Plan and the progress made against the 2008/09 Management Action Plan.

RESOLVED – (a) That the report be noted.

(b) That the proposed Management Action Plan for 2009/10, as set out in Appendix B, be noted.

(c) That the progress made in implementing the 2008/09 Action Plan, as set out in Appendix C, be noted.

A43. EXTERNAL AUDIT PLAN 2010/11 – The Director of Resources submitted a report (previously circulated) together with a copy of the 2010/11 external Audit Plan (also previously circulated), which had been prepared by the Council's external auditors PricewaterhouseCoopers (PwC) following discussion with Officers.

On presenting the Plan, the external auditors made particular references to the generic nature of certain of the risks; the approach to the Audit and Use of Resources; the members of the external audit team and their independence from the Council, their communications plan and timetable and the audit budget and level of fees.

RESOLVED – That the External Audit Plan for 2010/11 be noted.

A44. 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 eleven months of the year against the 2010/11 Annual Audit Plan.

It was reported that the Audit assignment work undertaken since December 2010, had resulted in three full, two substantial and two limited assurance opinions and that management had responded positively to the audit findings in relation to the two instances of limited assurances and action plans had been agreed to deliver improvements.

It was also reported that, in terms of consultancy/contingency activity, much of the focus had been on special investigation work and, in relation to performance indicators, the position was positive.

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

A45. AUDIT SERVICES – ANNUAL AUDIT PLAN 2011/12 – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit

Services' Audit Plan for 2011/12 and associated performance indicators (also previously circulated).

It was reported that the Plan, which had been formulated following consultation with the Chief Officers' Executive, Chief Officers' Board and external audit, was risk based and had been developed with reference to corporate and group risk registers and to the identification and prioritisation of auditable areas based on an assessment of their exposure to risk pertaining to the achievement of objectives and that progress against the Plan and the performance measures would be reported to this Committee during the year.

RESOLVED – (a) That the Audit Services' Audit Plan for 2011/12, as appended to the submitted report, be approved.

(b) That the performance indicators to monitor the operational performance of Audit Services, as appended to the submitted report, be noted.

A46. 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 was shown to be an effective mechanism for understanding and delivering stakeholders' requirements'.

RESOLVED – That the report be noted.