

AUDIT COMMITTEE

14th December, 2012

PRESENT - Councillor Baldwin (in the Chair); Councillor Johnson and Mr. J. Morton.(3)

APOLOGIES – Councillor McEwan

OFFICERS – Brian James, Head of Corporate Assurance and Elaine Hufford, Finance Manager, Risk and Treasury.

ALSO IN ATTENDANCE – Simon Clegg and Greg Wilson, PricewaterhouseCoopers

A21. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A22. MINUTES – RESOLVED – That the Minutes of the meeting held on 28th September, 2012, having been circulated, be taken as read and approved as a correct record.

A23. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL’S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR 2012/13 – The Director of Resources submitted a report (previously circulated) together with a report (also previously circulated) of the Financial Planning and Audit Manager from Stockton Borough Council outlining the progress made against the 2012/13 Xentrall Audit Plan.

RESOLVED – That the progress report be noted.

A24. MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT – The Director of Resources submitted a report (previously circulated) seeking approval of the revised Treasury Management Strategy, 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 review and were satisfied with the Council’s borrowing and investment activities and the reported prudential indicators.

RESOLVED – (a) That the changes to the Council’s Investment Strategy, as detailed in paragraphs 31 to 34 of the submitted report be agreed to :-

- (i) increase the counterparty limit for banks 2 (UK part-nationalised) from £3.000 million per bank to £5.000 million per bank; and

- (ii) increase the maximum investment period for banks 2 (UK part-nationalised) from one year to two years.
- (b) That the reduction in the Treasury Management Budget (Financing Costs) of £30,000, as detailed in table 11 of the submitted report, be noted.
- (c) That the submitted report be referred to Cabinet and that it be advised that this Audit Committee is satisfied with the Council's borrowing and investment activities and approved the reported prudential indicators and revised Treasury Management Strategy.

A25. ANNUAL AUDIT LETTER 2011/12 – The Director of Resources submitted a report (previously circulated) together with a copy of the Annual Audit Letter for 2011/12. It was reported that the Letter was positive and, in terms of adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources, PricewaterhouseCoopers had issued an unqualified value for money conclusion.

RESOLVED – That the report be noted.

A26. AUDIT SERVICES ANNUAL AUDIT PLAN 2012/13 – 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 2012/13 Annual Audit Plan.

References were made to the outcome of the Audit Assignment work undertaken, outputs from consultancy/contingency activity and the Audit Services' Performance Indicators.

It was reported that Audit Assignment work undertaken since the last progress report in September, 2012, had resulted in a full assurance opinion in respect of Supporting People, Trade Refuse, Libraries and Housing Management; the TM Barron Charity and the Mayor's Charity accounts had been audited satisfactorily and, in relation to Contract Audit, no opinion had been given as the work was a non-standard appraisal focusing on the further development of framework agreements and improvements to the procurement process utilising the NEPO Portal facilities.

In relation to Audit Services' key performance indicators, the position was positive.

RESOLVED – That the progress report against the 2012/13 Annual Audit Plan be noted.

A27 REVIEW OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS - The Director of Resources submitted a report (previously circulated) on the outcomes from the Council's corporate anti-fraud and corruption arrangements.

The Head of Corporate Assurance reported a positive position with regard to the updated fraud self-assessment checklist documented in the 2012 Audit Commission publication 'Protecting the Public Purse', that all the potential matches in the major risk data sets from the National Fraud Initiative 2010 had been investigated, that all data sets for the National Fraud Initiative 2012 had been submitted to the Audit Commission with the matches due late January, 2013, that overall, the number of reported frauds and

whistleblowing cases in the calendar year remained low and that the Council's anti-fraud and corruption arrangements remained appropriate and fit for purpose when compared to national good practice.

Particular reference was made to the work undertaken by the Housing Benefits Enquiry Unit in relation to the detection of fraud and overpayments and the impact of the new Welfare Reforms on the Unit and it was reported that this could be incorporated in the separate report on the work of the Housing Benefits Enquiry Unit to be submitted to this Committee in June 2013.

RESOLVED – That the report be noted.

A28. CORPORATE GOVERNANCE – UPDATE REPORT - The Director of Resources 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 key documents/functions that comprised the governance framework had been updated on the intranet with hyperlinks created with them to relevant supporting documentation, examples of advances made were chronicled and the report concluded that overall, positive progress was being made on the application of Corporate Governance with the Authority.

Particular reference was made to the transfer of the public health functions to the Council from NHS County Durham and Darlington and the various work strands being undertaken during the transitional period to ensure a smooth transfer of responsibilities.

RESOLVED – That the report be noted.

A29. EMPLOYEES GUIDE TO INFORMATION SECURITY – The Director of Resources submitted a report (previously circulated) updating Members on the percentage number of staff with access to the policy management system who had completed the module on the 'Employees Guide to Information Security'.

It was reported that, following concerns expressed at the last meeting of this Audit Committee held on 28th September, 2012, the Directors of People, Place and Resources had been advised of the level of concern and were requested to ensure that all staff who had access to the system completed the module as a matter of urgency to enable updated figures, as of the end of November 2012, to be reported to this meeting.

Members felt that although there had been positive progress in the number of staff completing the module, there was a high percentage of staff still to complete it and it was suggested that consideration be given to setting a benchmarking figure at the next meeting when considering progress.

RESOLVED – That the positive progress on the completion of the awareness module on the 'Employees Guide to Information Security' be noted and that a further update be presented to the March 2013 meeting of this Audit Committee.