

**AUDIT COMMITTEE**

28 June 2013

**PRESENT** - Councillor Baldwin (in the Chair); and The Mayor, Councillor Johnson. (2)

**APOLOGIES** – Councillor McEwan.

**OFFICERS** – Brian James, Head of Corporate Assurance; Elaine Hufford, Finance Manager Treasury/Insurance; Bill Westland, Head of Regulatory Services; and Maggie McCulloch, Control Team Leader, Revenue and Benefits. (4)

**A1. DECLARATIONS OF INTEREST** – There were no declarations of interest reported at the meeting.

**A2. MINUTES – RESOLVED** – That the Minutes (previously circulated) of the meeting of this Committee held on 22 March 2013, be taken as read and approved as a correct record.

**A3. REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT 2012/13** - The Director of Resources submitted a report (previously circulated) informing Members of the work of Revenues and Benefits in respect of Counter Fraud activity for the financial year 2012/13.

The submitted report outlined the role of the Investigation Team as a key element of the Council's anti-fraud and corruption arrangements; the changes in content from previous years; the new inspection regime for the 2013/14 financial year; the number of successful sanctions and fraud prosecutions; and stated that despite a reduction in resources, the Revenue and Benefits Section continued to perform well with regard to the number of sanctions and prosecutions generated.

Discussion ensued on the need to promote the success of the Counter Fraud activity.

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

(b) That officers be congratulated on their success in Counter Fraud Activity.

**REASON** – To inform Members of Counter Fraud activity within Revenue and Benefits.

**A4. TREASURY MANAGEMENT ANNUAL REPORT AND OUTTUTN PRUDENTIAL INDICATORS 2012/13** – The Director of Resources 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 2012/13 in accordance with the Prudential Code.

It was reported that the financial year 2012/13 had again presented exceptional circumstances with regard to treasury management and the main implications for the Council were included in the submitted report.

The submitted report summarised the Capital expenditure and financing for 2012/13; the Council's underlying borrowing need; the Treasury position as at 31 March 2013; prudential indicators and compliance issues; the economic background for 2012/13; a summary of the Treasury Management Strategy agreed for 2012/13; Treasury Management activity during 2012/13; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2012/13 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 £0.043 million had been achieved from the original Medium-Term Financial Plan.

Discussion ensued on the reduced net borrowing figure and slippage on a number of capital schemes.

**RESOLVED** – (a) That the outturn 2012/13 Prudential Indicators, as detailed within the submitted report and those detailed in the submitted appendix to the submitted report, be noted.

(b) That the Treasury Management Annual Report for 2012/13, as detailed in the submitted report, be noted.

(c) That the submitted report be referred to Cabinet and Council, in order for the Prudential Indicators for 2012/13 to be noted.

**REASONS** – (a) In order to comply with the Prudential Code for Capital Finance and Local Authorities.

(b) To inform Members of the Performance of the Treasury Management function.

(c) To comply with the requirements of the Local Government Act 2003.

**A5. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL INCORPORATING THE ANNUAL REVIEW OF INTERNAL AUDIT EFFECTIVENESS** – The Director of Place submitted a report (previously circulated) advising Members of the review undertaken on the effectiveness of the system of internal control, incorporating the annual review of internal audit effectiveness.

The submitted report stated that the Accounts and Audit (England) Regulations 2011 required Council's to review the effectiveness of their system of internal control and internal audit once a year; the findings of the reviews had to be considered formally by a Committee of the Council; and that the findings of the reviews would underpin the Annual Governance Statement to accompany the Statement of Accounts for 2012/13.

Particular reference was made to the basis of the system of Internal Control, the approach taken in undertaking the review; the areas covered; and the evidence sources relied upon.

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

**REASON** – To provide the Audit Committee with the evidence to reflect on the Council's governance arrangements.

**A6. 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 Senior Audit Team Manager, Stockton Borough Council, outlining the progress made against the 2012/13 Xentrall Audit Plan.

Details of previously reported audits, the completed audits and those classed as on-going, were appended to the submitted report.

Discussion ensued on the one item that had been carried over into the 2013/14 plan.

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

**REASON** – To provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**A7. MANAGERS' ASSURANCE STATEMENTS** – The Director of Resources submitted a report (previously circulated) advising Members of the outcomes from the 2012/13 Managers' Assurance Statements (MAS).

It was reported that the MAS had identified an overall positive position and that common themes highlighted related to the need to adequately test the Business Continuity Plans.

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

**REASON** – To provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**A8. AUDIT SERVICES' ANNUAL REPORT 2012/13** – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services' Annual Report (also previously circulated) for 2012/13.

The submitted report made reference to the internal audit service provided; operational performance achieved; audit assignment; consultancy/corporate arrangements work; 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, demonstrated that the Council continued to operate within a control environment that was generally sound.

**RESOLVED** – That the Audit Services' Annual Report for 2012/13, as appended to the submitted report, be noted.

**REASON** – To provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**A9 – IMPLEMENTATION OF UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND AMENDED AUDIT SERVICES' TERMS OF REFERENCE AND STRATEGY** – The Director of Resources submitted a report (previously circulated) updating Members on the introduction of a common set of UK Public Sector Internal Audit Standards (PSIAS) and seeking approval to resultant refreshed Audit Services' Terms of Reference and Strategy (both also previously circulated).

The submitted report stated that the new common PSIAS were introduced with effect from 1 April 2013 across the whole of the public sector; the PSIAS together with a Local Government Application Note now constituted proper practices in relation to the Council's requirement to maintain an adequate and effective system of internal audit in accordance with the Accounts and Audit Regulations 2011; they were broadly consistent with the previous CIPFA Code of Practice for Internal Audit in Local Government 2006; and that to reflect the implementation of the revised Standards, amendments were required to be made to Audit Services' existing Terms of Reference and Strategy.

**RESOLVED** – (a) That the introduction of the UK Public Sector Internal Audit Standards, as detailed in the submitted report, be noted.

(b) That the amended Audit Services' Terms of Reference and Strategy, as appended to the submitted report, be approved.

**REASON** – To provide the Audit Committee with information to carry out its function and to enable Audit Services to comply with PSIAS.

**A10. CORPORATE GOVERNANCE – UPDATE REPORT** – The Director of Resources submitted a report (previously circulated) updating Members on the progress on the application of Corporate Governance within the Authority, in line with the Council's current Local Code of Corporate Governance, which had previously been approved by this Council.

The submitted report outlined the background and core principles of good governance, the recognition by this Council's External Auditors, PricewaterhouseCoopers (PwC) of the Local Code as a key management tool for strengthening and improving the Council's corporate governance arrangements and specific Member and Officer training on the key documents and functions.

Particular reference was made to the importance of corporate and service planning in the delivery of Council services; the adoption of a new streamlined Corporate Plan in 2012, which set out key actions for delivery aligned to the wider partnership priorities of 'One Darlington : Perfectly Places'; the Medium Term Financial Plan 2014/15; the complaints process in relation to social housing; work undertaken to enable the Council to carry out its new responsibilities in relation to Public Health; implementation of the ICT Strategy; the Information Governance Work Programme; and the Annual Procurement Plan.

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

**REASON** – To provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**A11. ANNUAL GOVERNANCE STATEMENT** – The Director of Resources submitted a report (previously circulated) seeking approval to the Council's Annual Governance Statement (also previously circulated), a key document which involved a variety of people charged with delivering governance within the authority and which was required to be published each year, to accompany the Statement of Accounts, in accordance with Regulation 4 of the Accounts and Audit (England) Regulations 2011.

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.

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

**REASON** – It comprises part of the Council's corporate governance arrangements.