

## **AUDIT COMMITTEE**

9<sup>th</sup> December, 2013

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

**APOLOGIES** – Councillor McEwan

**OFFICERS** – Brian James, Head of Corporate Assurance and Elaine Hufford, Finance Manager/Treasury and Insurance (2)

**ALSO IN ATTENDANCE** – Simon Clegg, PricewaterhouseCoopers.

**A22. - DECLARATIONS OF INTEREST** – There were no declarations of interest reported at the meeting.

**A23. MINUTES – RESOLVED** – That the Minutes (previously circulated) of the meeting of this Committee held on 30<sup>th</sup> September, 2013, be taken as read and approved as a correct record.

**A24. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL’S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR 2013/14** – The Director of Resources submitted a report (previously circulated) together with a report (also previously circulated) of the Senior Audit Team Manager from Stockton Borough Council outlining the progress made against the 2013/14 Xentrall Audit Plan.

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

**A25. MID-YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2013/14** – 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 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 approves the revised prudential indicators and limits and notes the reduction in the revised Treasury Management Budget.

**A26. ANNUAL AUDIT LETTER 2012/13** – The Director of Resources submitted a report (previously circulated) together with a copy of the Annual Audit Letter for 2012/13. It was reported that the Letter was positive, and, in terms of the adequacy of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources, PricewaterhouseCoopers had issued an unqualified conclusion.

**RESOLVED** – That the Annual Audit Letter for 2012/13 be noted.

**A27. EXTERNAL AUDIT REVIEWS OF THE CAPITAL CONTRACTS PROCESS AND THE PFI CONTRACT MANAGEMENT ARRANGEMENTS** – The Director of Resources submitted a report (previously circulated) together with the outcome (also previously circulated) of two reviews undertaken by PricewaterhouseCoopers into the Council’s Capital Contracts Process and the PFI Contract Management Arrangements.

A representative from PricewaterhouseCoopers presented the findings to the Committee and, in doing so, reported that significant progress had been made to develop the capital projects management and monitoring process and to improve the management of the PFI Contract Management Arrangements with specific reference to the improved communication between all parties, more robust processes over contract management, energy usage and third party usage, and greater challenge and scrutiny from the on-site teams at the schools and the PFI Monitoring Officer.

**RESOLVED** – (a) That the report and the positive outcomes of the two reviews undertaken by PricewaterhouseCoopers be noted and forwarded to all Members to note the significant amount of progress made to develop the capital projects management and monitoring process and to improve the management of the PFI contract arrangements.

**A28. AUDIT SERVICES ANNUAL AUDIT PLAN 2013/14 – 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 2013/14 Annual Audit Plan.

References were made to the outcome of the Audit Assignment work undertaken, outputs from consultancy/contingency activity and Audit Services’ key performance indicators.

It was reported that Audit Assignment work undertaken since the last progress report in September 2013, had resulted in substantial assurance opinions in respect of Insurance, Departmental Income Systems, Registrar of Births, Deaths and Marriages, Imprest Accounts, Early Years Funding, Supported Living Schemes, CCTV and two primary schools. Limited assurance opinions resulted for the audit reviews PCI-DSS (Plastic Card Industry Data Security Standard), administration of Children’s Centres and Markets. In these instances management had responded positively to audit findings and agreed action plans to deliver the improvements required.

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

**RESOLVED** – That the progress report against the 2013/14 Annual Audit Plan be noted.

**A29. 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 2013 Audit Commission publication 'Protecting the Public Purse; that an assessment of the Council's current arrangements mapped against the 2012 Local Government Fraud Strategy, 'Fighting Fraud Locally', also identified an overall positive position in terms of compliance; that all the potential matches in the major risk data sets from the National Fraud Initiative (NFI) 2012 had, or were to be, investigated; 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 Government's proposed Single Fraud Investigation Service (SFIS) covering the totality of welfare benefit fraud and it was requested that further information on this matter be included in the Revenues and Benefits Annual Counter Fraud Activity report scheduled to be submitted to this Committee in June 2014.

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

**A30. CORPORATE GOVERNANCE** – The Director of Resources submitted a report (previously circulated) updating Members on progress on the application of the 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 the key documents/functions that comprised the governance framework had been updated on the Council's intranet with hyperlinks created within them to relevant supporting document, examples of advances made were chronicled and the report concluded that, overall, positive progress was being made on the application of Corporate Governance within the Authority.

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