

## AUDIT COMMITTEE

25 June 2014

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

**APOLOGIES** – Councillor Johnson.

**OFFICERS** – Brian James, Head of Corporate Assurance; Bill Westland, Assistant Director Regulatory Services, Elaine Hufford, Finance Manager Treasury/Insurance; Seth Pearson, Executive Director - Darlington Partnership, Anthony Sandys, Head of Revenues and Benefits and Andrew Barber, Stockton Borough Council.

**ALSO IN ATTENDANCE** – Simon Clegg and Nicola Brown, PriceWaterhouseCoopers.

**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 28<sup>th</sup> March, 2014 be taken as read and approved as a correct record.

**A3. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL'S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR 2013/14** – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a report (also previously circulated) of the Financial Planning and Audit Manager, Stockton Borough Council, outlining the progress made against the 2013/14 Xentrall Audit Plan.

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

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

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

**A4. ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS** – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) presenting the outcome of the annual review of significant partnerships to enable this Committee to consider the partnerships that the Council is involved with and to ensure that they have adequate governance arrangements in place.

It was reported that, through the partnership toolkit, the Council had an established approach to monitoring the significant partnerships it was involved with and, as result, there were good governance arrangements in place for these partnerships and that the partnerships were delivering well against their objectives.

It was also reported that the toolkit had been effective in identifying high level concerns of the significant partnerships, the most common of which were levels of resourcing, uncertainty as a result of emerging policy and fundamental changes in operating landscape.

**RESOLVED** - That the review of significant partnerships be endorsed, and the actions being taken to address outstanding issues, as detailed in the submitted report, be noted.

**REASONS** - (a) To enhance corporate governance arrangements in significant partnerships.

(b) To enhance the relevance and performance of partnerships in Darlington.

**A5. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL INCORPORATING THE ANNUAL REVIEW OF INTERNAL AUDIT EFFECTIVENESS** – The Director of Economic Growth 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 2013/14.

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 stakeholder opinion, supported the opinion given.

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

(b) That the thanks of this Committee be extended to the Head of Corporate Assurance and his staff for their work.

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

**A6. REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT 2013/14** – The Director of Neighbourhood Services and 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 2013/14.

The submitted report outlined the role of the Investigation Team as a key element of the Council's anti-fraud and corruption arrangements, outlined performance and referred to the implementation of the Single Fraud Investigation Service (SFIS), which was launched by the Department for Works and Pensions (DWP) and which would bring together the investigation and prosecution of all types of benefit fraud (including Housing Benefit) and which would operate to a single set of national policies and procedures.

It was reported that, in Darlington, the responsibility to investigate and prosecute Housing Benefit fraud would transfer to the SFIS in October 2015, and may involve a transfer of investigation staff to the DWP, however, low level benefit fraud (fraud not involving a prosecution) and Local Taxation fraud would remain the responsibility of the Council.

Discussion ensued on the role of the Inspection Officers, in seeking to maximise income for the Council by targeting potential tax evasion; 'last resort' recovery action for property owners and businesses who wilfully refused to pay their Council Tax or Business Rates; and the need to ensure that adequate resources were deployed against local taxation fraud in 2015/16.

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

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

**A7. PROTECTING THE PUBLIC PURSE FRAUD BRIEFING 2013** – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a copy (also previously circulated) of a presentation that covered the Audit Commission's national report and comparative information for the Council.

A representative from PWC gave a brief overview of the presentation slides and the performance of the Council against the national picture.

**RESOLVED** – That the content of the Fraud Briefing be noted.

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

**A8. TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2013/14** – The Director of Neighbourhood Services and 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 2013/14 in accordance with the Prudential Code.

It was reported that the financial year 2013/14 had presented similar circumstances to 2012/13 with regard to treasury management and the main implications of this for the Council were included in the submitted report.

The submitted report summarised the Capital expenditure and financing for 2013/14; the Council's underlying borrowing need; the Treasury position as at 31 March 2014; prudential indicators and compliance issues; the economic background for 2013/14; a summary of the Treasury Management Strategy agreed for 2013/14; Treasury Management activity during 2013/14; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2013/14 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 £0.211 million had been achieved from the original Medium-Term Financial Plan as a result of a number of actions taken throughout the year to manage the financing costs in the changing economic climate.

**RESOLVED** – (a) That the outturn 2013/14 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 2013/14, 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 2013/14 to be noted.

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

**A9. MANAGERS' ASSURANCE STATEMENTS** – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) advising Members of the outcomes from the 2013/14 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 progress delivery of Heads of Service Information Governance Toolkit Action Plans, to complete the testing of Business Continuity Plans for identified priority services and to refresh/complete inventories.

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

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

**A10. AUDIT SERVICES' ANNUAL REPORT 2013/14** – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services' Annual Report (also previously circulated) for 2013/14.

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 2013/14, as appended to the submitted report, be noted.

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

**A11 CORPORATE GOVERNANCE – UPDATE REPORT** – The Director of Neighbourhood Services and 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 adoption of a refreshed Sustainable Community Strategy and Vision as a result of the current economic climate; the Medium Term Financial Plan 2014-15 to 2019/20; the revised arrangements in relation to the assessment of complaints against Members; 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.