

AUDIT COMMITTEE

26th June, 2015

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

APOLOGIES – Councillor McEwan

ABSENT –

OFFICERS – Brian James, Head of Corporate Assurance, Seth Pearson, Darlington Partnership Director, Elaine Hufford, Finance Manager (Treasury Management, Insurance and VAT) and Andrew Barber, Audit and Risk Manager, Stockton Borough Council.

ALSO IN ATTENDANCE – Claire Mellons, PriceWaterhouseCoopers

A1. DECLARATIONS OF INTEREST – Councillor Baldwin declared a non-pecuniary interest in Minute A5 below as his son work in the Revenues and Benefits Section. 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 27th March, 2015, 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 2014/15 – The Director of Neighbourhood Services and Resources submitted a report (previously circulated together with a report (also previously circulated) of the Audit and Risk Manager, Stockton Borough Council, outlining the progress made against the 2014/15 Xentrall Audit Plan.

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

RESOLVED – That the progress report be noted.

A4. ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2014/15 – 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 a 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 the emerging policy and fundamental changes in operating landscape.

RESOLVED – That the review of significant partnerships be endorsed and that the actions being taken to address the outstanding issues be noted.

A5. REVENUES AND BENEFITS ANNUAL COUNTER FRAUD ACTIVITY REPORT

– The Director of Neighbourhood Services and Resources submitted a report (previously circulated) informing Members of the work of the Revenues and Benefits in respect to counter fraud activity for the financial year 2014/15.

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; staff training and the implementation of the Single Fraud Investigation Service (SFIS).

It was reported that the Revenue and Benefits service continued to maintain its commitment to its counter fraud activity across a range of benefits, discounts and exemptions and that this was illustrated by the continued level of sanctions and prosecutions achieved.

RESOLVED – That the Revenues and Benefits Counter Fraud Activity Report for 2014/15 be noted.

A6. 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 a 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 review would underpin the Annual Governance Statement to accompany the Statement of Accounts for 2014/15.

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 – That the report be noted.

A7. ETHICAL GOVERNANCE AND MEMBER STANDARDS – UPDATE REPORT –

The Director of Neighbourhood Services and Resources submitted a report (previously circulated) updating Members on issues relevant to Member standards and ethical governance, responsibility for which had transferred to this Committee.

The submitted report set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Authority and it was reported that, by reviewing and monitoring the indicators, it was anticipated that any unusual or significant changes in the volume of data recorded for the period concerned would be identified, would alert the Authority to any deterioration in its ethical health and enable any necessary action to be taken at an early stage.

RESOLVED – That the report be noted.

A8. TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2014/5 – 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 for 2014/15 in accordance with the Prudential Code.

It was reported that the financial year 2014/15 presented similar circumstances to 2013/14 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 2014/15; the Council’s underlying borrowing need; the Treasury position as at 31 March 2015; prudential indicators and compliance issues; the economic background for 2014/15; a summary of the agreed Treasury Management Strategy for 2014/15; treasury management activity during 2014/15; and performance and risk benchmarking.

It was also reported that the Council’s treasury management activity during 2014/15 had been carried out in accordance with Council policy and legal limits; financing costs had been reduced during the year and a saving of £1.497 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 out-turn 2014/15 Prudential Indicators within this report and those in the Appendix to the submitted report be noted.

(b) That the Treasury Management Annual Report for 2014/15 be noted.

(c) That the submitted report be forwarded to Cabinet and Council, in order for the 2014/15 Prudential Indicators to be noted.

A9. AUDIT SERVICES’ ANNUAL REPORT 2014/15 – The Head of Corporate Assurance submitted a report (previously circulated) together with the Audit Services’ Annual Report (also previously circulated) for 2014/15.

The submitted report made reference to the internal audit service provided; operational performance achieved; audit assignment; consultancy/corporate arrangements work and contingency activity undertaken; outcomes against key performance indicator targets; and looks forward to the next financial year.

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 undertaken 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 2014/15 be noted.

A10. MANAGERS' ASSURANCE STATEMENTS - The Director of Neighbourhood Services and Resources submitted a report (previously circulated) advising Members of the outcomes from the 2014/15 Managers' Assurance Statements (MAS).

It was reported that the MAS was a key element of the Council's corporate governance arrangements and, based on the 2014/15 returns, had identified an overall positive position. In addition to recognition of the corporate requirement to review the Council's Equalities Scheme and roll out appropriate training, the common themes highlighted were a continuation from the previous year in the need to continue to advance delivery of Heads of Services Information Governance Toolkit Action Plans, to test Business Continuity Plans for identified priority services and to refresh/complete inventories.

RESOLVED – That the report be noted.

A11. RISK MANAGEMENT REPORT 2014/15 - The Director of Neighbourhood Services and Resources submitted a report (previously circulated) updating Members on the approach to and outcomes from the Council's Risk Management processes

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 Officers to manage operational risk.

RESOLVED – That the report be noted.

A12. CORPORATE GOVERNANCE – UPDATE REPORT – The Director of Neighbourhood Services 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 changes which had been approved to the Council's Contract Procedure Rules; partnering arrangements with the Darlington Clinical Commissioning Group; Xentrall Shared Services; the Medium Term Financial Plan 2014/15 to 2019/20; the ICT Strategy and Information Governance.

RESOLVED – That the report be received.