

AUDIT COMMITTEE

18th December 2015

PRESENT - Councillor Baldwin (in the Chair); Councillors Johnson and McEwan. (3)

APOLOGIES – Mr J Morton (1)

ABSENT –

OFFICERS – Brian James, Head of Corporate Assurance, Brian Boggon, Assistant Director, Children's Services, Peter Carrick, Central Finance Manager, Elaine Hufford, Finance Manager Treasury and Insurance and Brian McGuire, Audit Manager

ALSO IN ATTENDANCE – Simon Clegg and Callum Foster PricewaterhouseCoopers and Nicola Wright and Stuart Young, Ernst Young LLP

A21. DECLARATIONS OF INTEREST – Councillor Baldwin, declared a non-prejudicial interest in Minute A26 below as his son had been involved in the Housing Benefits grant certification testing. There were no other declarations of interest reported at the meeting.

A22. MINUTES – RESOLVED – That the Minutes (previously circulated) of the meeting of this Committee held on 25th September, 2015, be taken as read and approved as a correct record.

A23. OFSTED INSPECTION OF CHILDRENS SERVICES AND DARLINGTON SAFEGUARDING CHILDREN BOARD 2015 – The Director of Neighbourhood Services and Resources submitted a report together with a report (also previously circulated) which had been considered by Cabinet at its meeting held on 8th December, 2015, in relation to the key findings and progress to date from the outcome of the Ofsted inspection of Services for Children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board.

It was reported that an Improvement Plan had been developed in conjunction with Red Quadrant, the external Advisors who had been appointed by the DfE to work with the Authority, and that progress against it would be monitored regularly to ensure the desired outcomes were achieved. It was highlighted that the Improvement Plan was a working document and would be regularly reviewed. Reference was also made to the governance arrangements and oversight of the Plan by an internal Officer group chaired by the Chief Executive and the Children's Services Improvement Board and it was requested that update reports be submitted to each meeting of this Audit Committee.

Reference was also made to the financial implications to the Authority following the outcome of the Ofsted inspection and it was reported that there would be a cost associated with the implementation of the actions contained within the Improvement

Plan however, not in relation to the appointed Advisors and the revised performance management arrangements which were currently being developed.

RESOLVED – That the actions already taken to improve performance be noted and that regular update reports be submitted to each meeting of this Audit Committee.

A24. AUDIT OF XENTRALL – PROGRESS REPORT FROM STOCKTON BOROUGH COUNCIL’S INTERNAL AUDIT SECTION AGAINST THE AUDIT PLAN FOR 2015/16

- 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 from Stockton Borough Council outlining the progress made against the 2015/16 Xentrall Audit Plan.

RESOLVED – That the progress report be noted.

A25. ETHICAL GOVERNANCE AND MEMBER STANDARDS UPDATE – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) updating Members on issues relevant to Member standards and ethical governance.

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 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 and the statistical information contained therein be noted.

A26. ANNUAL CERTIFICATION REPORT 2014/15 – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a report (also previously circulated) produced by PricewaterhouseCoopers, which summarised the high level results of their grants certification testing.

It was reported that the external audit work undertaken had identified that, the claim certified, worth a net total of £38,723,381, required five amendments and two matters required a qualification letter to set out the matters arising from the findings. After review, it was reported, at the meeting, that the DWP were happy that there were no outstanding issues and the claim had been settled on the submitted amount of £38,704,062.

RESOLVED – (a) That the report be noted.

(b) That the matters raised within PwC’s report and the subsequent response and action of the DWP be noted.

(c) That the adequacy of progress made in implementing the 2013/14 Action Plan, as set out in Appendix A of the submitted report, be noted.

A27. ANNUAL AUDIT LETTER 2014/15 – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a copy of the Annual Audit Letter for 2014/15.

RESOLVED – (a) That the Annual Audit Letter for 2014/15 be noted.

(b) That the thanks of this Committee be extended to PwC for the work they have undertaken with the Council.

A28. AUDIT COMMITTEE BRIEFING: EXTERNAL AUDIT TRANSITION – The Director of Neighbourhood Services and Resources submitted a report (previously circulated) together with a briefing document (also previously circulated) which was presented at the meeting by a representative of the Council's newly appointed auditors, Ernst Young LLB.

The briefing gave details of its audit team, the proposals to implement a smooth transition and the effective implementation of its audit approach.

RESOLVED – That the briefing and presentation be noted.

A29. MID-YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2015/16 – The Director of Neighbourhood Services and 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 out 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 – 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; approves the revised prudential indicators and limits and notes that instruments used to make investments now include Certificates of Deposit and Treasury Bills and the reduction in the revised Treasury Management Budget (Financing Costs).

A30. AUDIT SERVICES ANNUAL AUDIT PLAN 2015/16 – 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 2015/16 Annual Audit Plan.

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

It was reported that Audit Assignment work undertaken since the last progress report in September 2015, had resulted in substantial assurance opinions in respect of VAT and car parks.

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

RESOLVED – That the progress report against the 2015/16 Annual Audit Plan be noted.

A31. HALF-YEARLY RISK MANAGEMENT REPORT 2015/16 – 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.

A32. 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 been approved by Council in January 2008.

It was reported that the key documents/functions that comprise the governance framework had been updated on the Council's intranet with hyperlinks created within 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 within the Authority.

RESOLVED – That the report be noted.