

Audit Committee

A meeting of Audit Committee was held on Monday, 11th May, 2009.

Present: Cllr Barry Woodhouse (Chairman); Cllr Maurice Perry, Cllr Mrs Sylvia Walmsley, Cllr Lewis (Vice Councillor Fletcher) and Cllr Mick Womphrey.

Officers: P Johnston, A Barber (R); P K Bell (LD).

Also in attendance: C Andrew, L Snowball (Audit Commission).

Apologies: Cllr Lynne Apedaile, Cllr John Fletcher, Cllr Maurice Frankland, Cllr Kath Nelson and Cllr Ross Patterson.

A **Declarations of Interest**

7/09

There were no interests declared.

A **Minutes**

8/09

The minutes of the meeting held on 2nd March 2009 were signed by the Chairman as a correct record.

A **Minutes**

9/09

The minutes of the meeting held on 2nd March 2009 were signed by the Chairman as a correct record.

A **Stockton on Tees Borough Council - Annual Audit Fee 2009/10**

10/09

Members were presented with a letter that contained the Audit Commission Annual Audit Fee. The letter confirmed the audit work that the Audit Commission proposed to undertake for the 2009/10 financial year at Stockton Council. The fee:-

- was based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflected only the audit element of Audit Commission work, excluding any inspection and assessment fees. The Comprehensive Area Assessment Lead would be writing to Stockton on Tees Borough Council separately on inspection fees.

As the audit for 2008/09 had not yet been completed the audit planning process for 2009/10, including the risk assessment would continue as the year progresses and fees would be reviewed and be updated as necessary.

There were ongoing discussions about the status of Tees Valley Joint Strategy Unit and whether or not it would be subject to a separate audit. The outcomes of these discussions would be taken into account when a decision was made on the agreed treatment.

The total indicative fee for the audit for 2009/10 was for £292,410 (exclusive of VAT) which compared to the planned fee of £243,400 for 2008/09. A summary

of this was detailed within the report.

The Audit Commission had published its work programme and scales of fees 2009/10. The scale fee for Stockton Council was £292,410. This compared with £243,400 for 2008/09. The fee proposed for 2009/10 was the scale fee.

In setting the fee at this level, the Audit Commission had assumed that the general level of risk in relation to the audit of the financial statements was not significantly different from that identified for 2008/09. A separate plan for the audit of the financial statements would be issued in December 2009. This would detail the risks identified, planned audit procedures and any changes in fee.

The quoted fee for grant certification work was an estimate only and would be charged at published daily rates.

The fee for use of resources had significantly increased for 2009/10, this was partly because of the new wider use of resources assessment framework now in place and partly due to a number of uncertainties about current developments, e.g. amalgamation of Tees Valley Regeneration and the Learning and Skills Council into local authority structures, the future of the Multi Area Agreement, housing stock appraisal and major capital schemes including Building Schools for the Future and joint health care provision.

As the year progresses and the position becomes clearer the Audit Commission would review their assessment of the work needed for 2009/10 and amend the fee accordingly. If the Audit Commission needed to make any significant amendments to the audit fee during the course of the audit, the Audit Commission would first discuss this with the Corporate Director of Resources and then prepare a report outlining the reasons why the fee needed to change for discussion with the Audit Committee.

The Audit Commission use of resources assessments would be based upon the evidence from three themes:-

- Managing finances;
- Governing the business; and
- Managing resources

The key lines of enquiry specified for the assessment were set out in the Audit Commission's Work Programme and scales of fees 2009/10. The Audit Commission's work on use of resources informed their 2009/10 value for money conclusion. However, the Audit Commission had identified a number of risks in relation to their value for money conclusion. For each risk, the Audit Commission considered the arrangements put in place by the Council to mitigate the risk, and plan their work accordingly. The Audit Commission's initial risk assessment for value for money audit work was detailed within the report.

The Audit Commission would discuss the scope of and progress on each area of work at monthly meetings with the Chief Executive and Corporate Director of Resources throughout the year.

The Audit Commission would issue a number of reports relating to their work over the course of the audit. These were listed at and attached to the letter.

The above fee excluded any work requested by Stockton on Tees Borough Council that the Commission may agree to undertake using its advice and assistance powers. Each piece of work would be separately negotiated and a detailed project specification agreed with Stockton on Tees Borough Council.

Lynne Snowball and Cath Andrew (Audit Commission) were in attendance at the meeting and Members were given the opportunity to ask questions and make comments on the Audit Commission Annual Audit Fee 2009/10 letter.

Members raised questions and made comments on the rise of the Annual Audit Fee 2009/10 compared to 2008/9. Lynne Snowball outlined that the Audit Commission use fee formula and previously Stockton on Tees Borough Council had had a below average fee but this year because of uncertainties within the planned work the fee had gone up. If the planned work was not as large as initially thought the fee will be revisited.

RESOLVED that the Audit Commission Annual Audit Fee be noted.

A 11/09 Internal Audit Report

Consideration was given to a report that sought re-approval of the Council's current anti fraud protocol and procedure manuals. These had been made available to staff and the public on the intranet and internet where appropriate, in Libraries and all main reception areas. Periodic articles were also put out in Stockton News and Keeping You In Touch. The last time Members approved these documents was in October, 2003. Since then there had been a number of updates for such things as Money Laundering and the 2006 Fraud Act which covered such things as identity fraud.

Members had recently approved the updated Confidential Reporting and Investigation protocol.

The following documents were attached to the report:-

- Employee guide on responding to fraud and corruption
- Public guide on responding to fraud and corruption
- Management guide on responding to fraud and corruption
- SBC Corporate anti-fraud and corruption strategy manual.

RESOLVED that the following documents on the Council's anti fraud procedures be approved:-

1. Employee guide on responding to fraud and corruption.
2. Public guide on responding to fraud and corruption.

3. Management guide on responding to fraud and corruption.
4. SBC Corporate anti-fraud and corruption strategy manual.

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12/09 **Review of Internal Audit Service**

RESOLVED that the above item be deferred.

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13/09 **Annual Governance Statement 2008/09**

Consideration was given to a report that presented to Members the Council's Annual Governance Statement for 2008/09.

The Accounts and Audit (Amended) Regulations 2006 required all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and include an Annual Governance Statement within its Statement of Accounts. The deadline for completion of the Statement of Accounts for 2008/09 was 30th June 2009. The Statement of Accounts and the Annual Governance Statement would be presented for approval to the Audit Committee on the 29th June 2009.

A further requirement of the regulations stated that the Statement should be signed by the Chief Executive and the leading Member of the Council following approval by the Committee. A key objective of the signing off process was to secure corporate ownership of the statement's contents.

The Annual Governance Statement included an acknowledgement of responsibility for ensuring that the proper arrangements were in place around the governance of its affairs and an indication of the level of assurance that the system provided. The statement also included a description of the key elements forming the governance framework, a description of the process applied in reviewing the effectiveness of this framework, including the system of internal control, and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.

The Council's Annual Governance Statement for 2008/09 was attached to the report. At this time the Council had not identified any significant issues that were not being addressed within the Statement. Officers reported on the governance framework and control environment in place within the Council that enabled the detailed preparation of the statement. The Audit Commission and external auditors had been consulted on the process and the identification of key governance issues.

RESOLVED that the Annual Governance Statement for 2008/09 be noted.