



AUDIT COMMITTEE

Report to Council October 2010



Introduction

Staffordshire is a vibrant and dynamic area, full of extraordinary variety and opportunity. The County Council has a key role in ensuring the continuing vitality and success of Staffordshire, and we are working hard to provide excellent services that meet the needs of local people.

To achieve this, it's important we have clear, organised and water-tight systems of governance. The Audit Committee has the job of keeping the Council's governance systems under regular review to ensure that the Council is managing its finances and services in a prudent, effective and secure manner.

As part of this role it is important that we report back to the County Council, and to the public who provide the Council with its funding, to give assurance that public money is being properly and effectively managed.

We intend to do this on an annual basis and we are pleased to introduce the 2009/10 Report of Staffordshire County Council's Audit Committee.



Who are we?

In order to make this report timely and relevant it covers the period 1 June 2009 – 30 June 2010. During this period, Membership of the Committee changed following the Annual Meeting of the Council on 20 May 2010. Consequently, we detail below both past and current Membership.

1 June 2009 – 20 May 2010

Councillor Henry Butter (Chairman)

Councillor Geoffrey Martin (Vice- Chairman)

Councillor Frank Chapman

Councillor Ray Easton

Councillor Geoff Locke

Councillor Jeremy Oates

Councillor Rex Roberts OBE

Councillor Liz Staples

Councillor Alan White

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Cabinet Member

Councillor Mark Winnington

21 May 2010

Councillor Rex Roberts OBE (Chairman)

Councillor Henry Butter (Vice-Chairman)

Councillor Lee Bates

Councillor Veronica Downes

Councillor Ray Easton

Councillor Frank Lewis, MBE

Councillor Geoff Locke

Councillor Philip Jones

Councillor Alan White

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Cabinet Member

Councillor Mark Winnington



What do we do?

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

The functions and responsibilities of the Audit Committee are many and varied and now include those performed by the former Regulatory Committee (e.g. to oversee, review, and make any recommendations on the effectiveness and operation of the Constitution). However, in terms of our **core** work, the following are reproduced for information:

- To approve, monitor, review and amend from time to time the Council's Code of Corporate Governance to ensure that it is adequate and effective
- To advise on the adequacy and effectiveness of the Authority's internal control environment
- To monitor the adequacy and effectiveness of the Authority's risk management processes and to:
 - (i) approve the Risk Management Policy Statement and monitor its implementation;
 - (ii) approve the content of the Corporate Risk Register and proposed Risk Mitigation Action Plan and monitor its implementation
- To approve, on behalf of the County Council, the Annual Statement of Accounts, and the Annual Governance Statement.
- To receive and consider external audit reports and Management Letters, to monitor the implementation of recommendations and advise the County Council as appropriate



- To monitor the adequacy and effectiveness of the Internal Audit service and Corporate Directors' responsibilities for ensuring an adequate control environment and to:
 - (i) Receive an annual internal audit plan from the Assistant Director (Audit and Risk Management Services)
 - (ii) Monitor progress against the plan through the receipt of periodic progress reports and an annual Internal Audit report;
 - (iii) Receive and consider major Internal Audit findings and recommendations;
 - (iv) Monitor the response to major findings and the implementation of key recommendations.



Are we effective?

Members of the Audit Committee are expected to attend and participate constructively in meetings and to contribute to the development of its work programme. In order to do this, the following skill sets are desirable:

- Experience and/or knowledge of financial, audit and governance arrangements
- A knowledge of the structures, systems and processes in place within Staffordshire County Council
- An understanding of the Council's and Committee's policies, service delivery and government legislation.

Following on from the above, training is very important. That said, it is about making the Committee members more effective as lay members and is not about attempting to turn them into experts. Reference to “**Who are we?**” indicates that Membership changes were made following the Annual Meeting of the Council on 20 May 2010. Consequently, a programme of awareness training for “new” Members is currently underway.

Given the nature and scope of the issues submitted to the Audit Committee, reports can be lengthy and agendas very full. In order to manage this, we have agreed to receive certain reports by e-mail and only debate issues arising at formal meetings if deemed appropriate. We have also brought forward the start time of meetings to ensure effective challenge.

During the year, we have received a number of “Limited Assurance” and “Special Investigation” reports and in order to assure ourselves that the appropriate actions have been taken we have requested that the appropriate Director is represented to answer questions direct.



In recognising the importance of embedding risk management into the culture of the organisation we have requested that the Corporate Risk Register is submitted to the Audit Committee Bi-Annually as opposed to Annually.

Work Done

In terms of the work done by the Audit Committee during the period May 2009 – June 2010, we have:

- Reviewed the management of risks in relation to closer integration with Health and the cost pressures arising from Building Schools for the Future
- Reviewed the Corporate Risk Register
- Approved the Council's Internal Audit Strategy and Internal Audit Plan for 2009/10 setting out how the internal audit team operates and what areas it is to look at during the year.
- Reviewed the External Audit Plan for 2009/10 proposed by Price Waterhouse Coopers, and discussed with the external auditors the transition from the Comprehensive Performance Assessment framework to Comprehensive Area Assessment
- Reviewed a number of "Limited Assurance" and "Special Investigation" reports to make sure that the risks and issues identified were being properly managed.
- Reviewed the Effectiveness of the System of Internal Audit
- Reviewed the internal audit outturn report 2009/10
- Reviewed the outcome of the National Fraud Initiative 2008 and its implications for the Council.

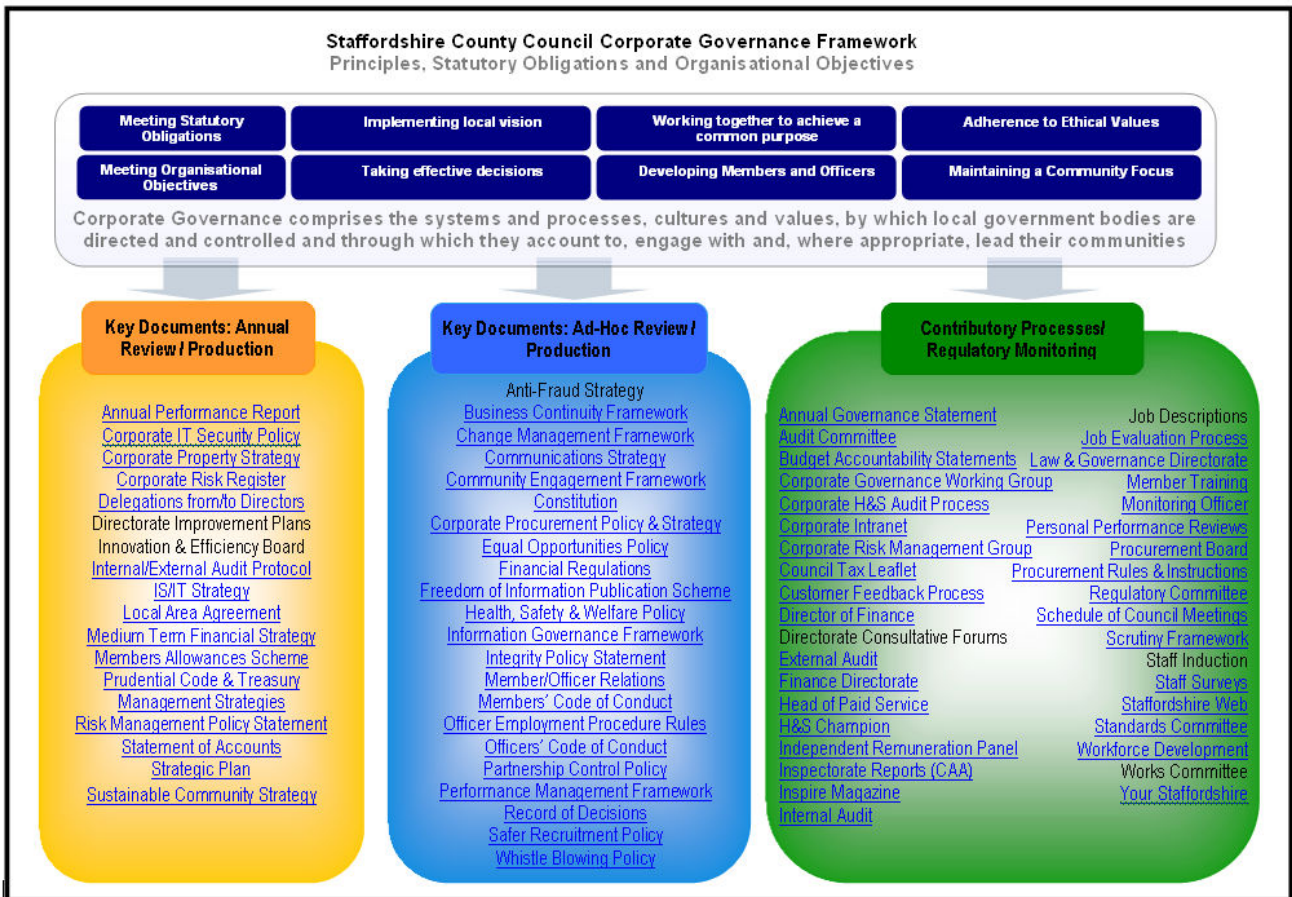


- Approved the Council's Risk Management Policy Statement incorporating the 2009/10 Action Plan
- Reviewed the Annual Report on Health and Safety – Performance Report 2009/10



Key Outputs

Code of Corporate Governance Framework- We reviewed the Framework and approved the unique single sheet diagram that has been developed and posted on the Council’s Intranet (see below).



For each document and contributory process detailed, an appropriate hyperlink has been established and this allows employees and members to drill down to the source document. Contact details of the relevant Corporate Management Team and Operational Lead are also shown so that advice on specific issues can readily be obtained.

Following on from the above, not only has the council brought all of its governance related documents and processes together in the one place but has ensured effective “version” control



and communication to its large workforce who operate across a large geographical area. In addition to promoting the Corporate Governance Framework through regular bulletins on its “Home Page”, a specific training module has been created and forms part of the Staffordshire Manager Development Programme.

The draft Statement of Accounts for 2009/10 – The draft accounts covered the County Council and the Staffordshire Pension Fund. We reviewed the revenue and capital outturn position, and movements in the Balance for both the Council’s Accounts and the Pension Fund. Following questions, the draft accounts were approved and we asked the Director of Finance to make any changes to the wording necessary so that they can carry the Plain English Crystal Mark.

The Annual Governance Statement 2009/10 – This Statement is a key document. This document details the arrangements in place that give the Council assurance that the Council’s finances and business affairs are being properly managed. It draws together the outcome of many of the reports presented to the Committee during the year.

Our review of the Statement concluded that an effective governance framework is in place across the Council.

Our conclusion was based upon a number of factors, including:

- The content of the Annual Audit Letter from the External Auditor which included an unqualified opinion on the Council’s final accounts for 2008/09 and the outcome of the Use of Resources Assessment, where we were given a score of three out of four for the way we use our resources
- The content of the internal audit outturn report 2009/10 which gave us the required level of assurance on the overall standard and effectiveness of our internal controls



- The fact that the Monitoring Officer (Director of Law and Governance) and Chief Finance Officer did not have to use their official powers on intervention
- An update on Risk Management showed that good progress had been made in implementing the majority of Mitigating Actions albeit the overall risk score increased by virtue of the unstable economic climate
- Our Standards Committee did not investigate any complaints about the behaviour of our elected Members and the Ombudsman did not uphold any complaints about governance issues

A number of improvement actions were identified and these have been endorsed by the Leader of the Council and the Chief Executive:

- Put into effect an action plan aimed at improving governance awareness across the council to include how best to communicate important issues to staff and a review of the corporate induction process
- Continue to make sure our partnerships are well controlled, perform strongly and show value for money
- Respond to the changing financial climate arising from the Government's deficit reduction programme; and
- Develop a new business model (and bring our governance arrangements in line with that model) that best meets the priorities of the council determined by the needs of our customers and communities.



Work to do

Issues for consideration in the forthcoming months include the following:

- Update on Information Governance
- Review of Corporate Risk Register
- Review of Annual Audit Letter
- Assessing the governance implications associated with the introduction of the Council's new business model

In addition, we intend to hold a joint meeting with the Assets and Budget Scrutiny Committee to review Financial Regulations, Procurement Policy and Strategy, Contract Standing Orders and Procurement Regulations.

How to contact us

If you would like any further information about what we do please contact us as follows:

**The Audit Committee,
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16 Martin Street,
Stafford,
ST16 2LG**

