

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Tuesday, 26 February 2008

PRESENT: Councillor Perkins (Chair); Councillors Davies, Hawkins and Lill

OBSERVER: Councillor Mildren, Portfolio Holder for Finance.

1. APOLOGIES

Apologies for absence were received from Councillors B Markham and Tavener.

2. MINUTES OF THE MEETING HELD ON 4TH DECEMBER 2007

Minutes of the meeting were agreed and signed.

3. DEPUTATIONS / PUBLIC ADDRESSES

RESOLVED: That D Brett and M McDonagh, External Audit, (KPMG), be granted leave to address the Committee in respect of Item 6 'External Audit Update'.

4. DECLARATIONS OF INTEREST

There were none.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

6. EXTERNAL AUDIT UPDATE

(A) ANNUAL AUDIT REPORT 06/07

D Brett presented the external auditors progress report on the annual audit of the accounts for 2006/2007 and the preparation for the 2007/2008 audit.

External Audit had concluded their statutory responsibility for the year with the issue of their final unqualified opinion, audit certificate and use of resources conclusion on 18th December 2007.

They had identified a number of performance improvements and looking forward NBC was heading in the right direction. NBC faced another challenging year in 2007/2008. It was noted that the audit plan for 2007/08 had been agreed and some of the key issues identified had already been addressed.

The findings of Accounts and Statement of Internal Control were outlined in Section 2 of the Annual External Audit Report 2006/07. It was noted that NBC needed to address weaknesses in the systems and processes of grant claims due to errors reflected in the Housing and Council Tax Benefit subsidy claim.

It was noted that electors of NBC could raise questions and queries with auditors, which

required investigation of the issue raised. They had received a number of questions and queries during 2006/07, all of which had been resolved.

Section 3 of the Annual External Audit Report 2006/07 outlined their conclusion on the Use of Resources. The Committee noted that NBC had produced a comprehensive self-assessment with supporting evidence for the External Audit's assessment post 31 March 2007. The previously identified areas that needed improvement had been recognised and NBC had implemented remedial action since 1 April 2007. Their recommendations therefore focused on the key issues.

The Use of Resources assessment was based around five Key Lines of Enquiries (KLOEs). It was noted that the improvements required for the five KLOEs were achievable.

Financial Standing of NBC showed an improvement in the score with no real concerns. The Council's Internal Control showed some improvement, however it was noted that the scoring for this was hard to achieve by authorities across the country. The key was to recognise what needed to be done. The Value for Money aspect of NBC showed an overall improvement however there was a mix of high and low expenditure and performance across and within services and operations.

M McDonagh, External Audit (KPMG), added that it was fair to say that scoring was still low in comparison to other authorities, and NBC had a long way to go. However having spoken to officers the attitude and the drive for improvement was very impressive, which was key for progression.

D Brett, External Audit (KPMG) wished to acknowledge and thank officers and Members for their continuing help and co-operation throughout KPMG's audit work.

The Committee shared the compliment and thanked the officers, adding that there had been a number of changes in the finance section, and the new team had only been in place since 9 months. Over this short period the section had put in great efforts and made significant improvements.

I Procter, Director for Finance reported that they now had a robust system in place for Use of Resources. They had drawn up an action plan for 2008/09 audit inspection. The action plan was Council wide, as Use of Resources related to all service areas. The action plan would be set against staff appraisals and Finance had already incorporated it into their appraisals.

RESOLVED: That the report be accepted.

(B) FORWARD LOOK

D. Brett, External Audit (KPMG) presented their progress report. The Committee noted that the work on 2006/07 audit had now been completed. The annual Audit and Inspection Letter would be issued by 31 March 2008.

They would commence their planning process for 2007/08 audit. They had met with key officers and carried out a short workshop to the finance staff that would be involved in the process. They would be working closely with NBC on the process for final accounts audit and the 2008 Use of Resources assessment. They had scheduled site visit for April to perform systems and controls assessments as part of their 2007/08 audit process.

Currently they were working on the 2008/09 Annual Audit Inspection Plan and the draft would be submitted to the Relationship Manager (M Perry) by 31 March 2008.

RESOLVED: That the update be noted.

7. INTERNAL AUDIT UPDATE

(A) AUDIT PROGRESS REPORT

C Dickens, Internal Audit (PwC) presented the progress report. Their review reports to date included a total of 134 recommendations of which 48 related to this reporting period. It was noted that the Housing Benefits report had now been finalised.

Key risks identified related to Creditors, Payroll and Housing Benefits. In relation to Creditors they found that the officers they consulted were not aware of the Council's procurement policy. In relation to Payroll they found that the authorised signatories list did not refer to BACS payments or include officers who were authorising overtime forms. There were issues with overtime claim sheets and submission of expense claims in connection with the authorisation process. They found issues around access to information by HR admin and payroll teams. In relation to Housing Benefits the reconciliation process was an issue and the level of debt had increased over the year.

In relation to Team Central, it was noted that the recommendations for 2005/06 and 2006/07 had been transferred to the system and that 20 responsible officers had been asked to comment on the recommendations. They were in the process of establishing the type of reporting suitable for Management and Committee, after which regular reports would be provided to Management and the Committee.

It was noted that they were due to send reminder messages to responsible officers in relation to the outstanding recommendations.

I Procter, Director for Finance reported that they had commissioned audits, which they felt were necessary. Until recently a number of recommendations had not been delivered adequately.

Councillor Perkins commented that the Committee had looked into a number of issues on numerous occasions, and suggested that these should form part of the appraisal process.

I Procter reported that the Council was now running a Quarterly Corporate Performance Review, and they would be including the delivery of audit services on their agenda. She added that she had undertaken the task of reviewing each audit recommendation. She suggested that a way forward would be for the Chief Executive to consider the delivery of audit target recommendations, which would then filter down to individuals as part of their appraisals.

RECOMMENDED: That the Chief Executive consider the delivery of the audit target recommendations.

(B) DRAFT PLAN 2008/09

C Dickens, Internal Audit (PwC) presented the Draft Operational Plan for 2008/09 and Strategic Plan 2009/10 to 2010/2011.

It was noted that Core systems assurance remained a fundamental requirement at this stage of the improvement plan due to continued changes. As the risk management processes developed and internal control strengthened, the proportion of the time spent on fundamental assurance would reduce and they would concentrate more on business performance improvements.

It was noted that the risk assessment process and proposed Internal Audit plan was a result of reviewing the Council's strategic and departmental risk registers, discussions with key stakeholders, review of relevant documentation and reports, and the Internal Audit work undertaken on 2006/07.

The report outlined the proposed number of days for 2008/09. He added that the plan needed to be flexible, as changes in risks and circumstances during the year would require re-prioritising the current days allocated to each task. Any such changes would be brought to the Committee's attention.

It was noted that once the risk assessment and internal audit plan had been approved 'project sponsors' for each review would be identified and contacted about the anticipated audits. Detail scope of work and timing of each review would be agreed. A detailed operational plan for 2008/09 would be issued. Terms of Reference for each review would be drafted. The expected completion date for this was end of March 2008.

It was noted that the proposed 3 year internal audit plan was at this stage indicative.

I Procter, Director for Finance reported that every fundamental review that was carried out would include the 'Value for Money' aspect. Their focus on fundamental assurances would help the Council understand the situation better and it would ensure that with the fast paced improvements the Council was making, the basics were not forgotten. She added that they had programmed additional 35 days as contingency for special reviews.

It was agreed that due to the report being tabled at the meeting, should any Member's who wished to make comments or ask questions could do so via G Chambers, Head of Finance.

The Committee requested whether they could have reports on the Westbridge and Debtors issues, as these had been outstanding. I Procter, Director for Finance commented that at this stage it might not be suitable, as she believed these would be linked with the NBC's Management Restructure. She added that G Chambers, Head of Finance had drafted what they believe the standards for the Committee should be for 2008/09. After their training on 29th February 2008, the Committee would be asked to think about the areas they would like to focus on for the coming year.

The Committee requested whether T Hall, Corporate Manager for Community Safety, Leisure & Town Centre Operations could be invited to the next meeting in relation to the Balloon Festival issue.

ACTION: T Hall, Corporate Manager for Community Safety, Leisure & Town Centre Operations be invited to the next meeting in relation to the Balloon Festival issue.

RESOLVED: That the Internal Audit Risk Assessment and Plans be approved subject to any subsequent comments that might be made by the Members.

8. EXCLUSION OF PUBLIC AND PRESS

There were none.

The meeting concluded at 19:10