

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Thursday, 25 September 2008

**PRESENT:** Councillor Perkins (Chair); Councillor Yates (Deputy Chair); Councillors Davies and J. Lill

### 1. APOLOGIES

Councillor Hawkins.

### 2. MINUTES

The minutes of the meeting of the Committee held on 24 June 2008 were signed by the Chair.

### 3. DEPUTATIONS / PUBLIC ADDRESSES

None.

### 4. DECLARATIONS OF INTEREST

None.

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

None.

### 6. INTERNAL AUDIT UPDATE

The Internal Auditor submitted a report and circulated appendices 1-4. He commented that the report provided an update on work for 2008/09 of which approximately 25% had been completed. The programme was expected to be completed on time. The Internal Auditor made reference to the Use of Resources report and the fact that there were no changes since this had been last reported. He then made particular reference to reports that had been completed so far this year and referred to the appendices and in particular the Team Central system which allowed the tracking of actions against recommendations. It was noted that in particular, work on creditors, debtors and bank reconciliations had been commented upon by the External Auditor and that these areas should be a priority for this year.

In respect of the report on Payroll, the Internal Auditor particularly highlighted the issues of authorisation of BACS payments, authorisation of overtime payments, authorisation of payments and the potential for fraudulent expenses claims. A brief discussion ensued around these issues and it was noted that the Payroll Section consisted of less than three full time equivalent staff carrying out all the payroll functions. There were discussions taking place as to whether Payroll should be transferred to Finance, which would aid both capacity and the separation of duties in some instances. It was also noted that consideration was being given to moving those employees currently on weekly pay to monthly pay. It was noted that a report on the current situation in respect of suspense

accounts would be made to the next meeting of the Committee.

- RESOLVED:** (1) That the report be noted.  
(2) That the Chair regularly review outstanding recommendations from audit reports and that the responsible officer attend the Committee to discuss those issues.

## **7. EXTERNAL AUDIT UPDATE**

The External Auditor submitted a report that was required by the International Standards on Auditing (UK & Ireland) 260 and the Audit Commission Communication of Audit Matters to Those Charged with Governance. He commented that significant progress had been made during the year to put in place the foundations to improve financial delivery; the finance team had been strengthened; the quality of working papers and checks on the contents had improved and some long standing issues had been resolved. The External Auditor commented that he was optimistic that the Statement of Accounts would be signed off by the deadline of 30 September as there were still a few small matters that needed to be resolved. He commented that the overall picture was promising but it represented only a beginning and much more work remained to be done.

With reference to the Use of Resources Statement, the External Auditor commented that last year the Council had failed this and whilst some checks were still being undertaken he was optimistic that the Council would be given a pass this year but as had previously been stated this was only the first step on a longer journey of improvement.

The External Auditor particularly referred to the Declaration of Independence and Objectivity which confirmed the independence of KPMG from the Council. He then elaborated upon the detail of the report, appendices, action plan and draft management representation letter. He also thanked the Director of Finance and her team for their assistance and their friendly and robust relationship with KPMG.

It was noted that in respect of Council House Arrears the current arrears situation was improving but that former tenants arrears was worsening. It was noted that this debt needed to be reviewed and where uncollectible, written off. The Director of Finance commented that from 1 October she would be responsible for Council Tax and Benefits and that this would be an area that she would be investigating. It was commented that Council Tax debt collection was very robust and consideration was being given to moving the Council's debt recovery operation, except for Council house rents, into the Council Tax Debt Recovery Section. It was also commented that a clear policy was needed of what debt should be written off by Cabinet and which could be delegated to the Director and in turn by her to the appropriate Head of Service.

A brief discussion ensued concerning the Building Control situation and it was noted that an examination of costs would be an alternative to raising fees, it being accepted that Building Control operated in a competitive market. The Internal Auditor commented that he was aware of another local authority who had recently carried out a benchmarking exercise on Building Control and commented that he would enquire whether they would be willing to share the information they had acquired.

The Chair commented that there were still some issues that could affect the final accounts position by between £100,000 and £300,000 and that these in the main related to previous audit recommendations that had not been implemented.

- RESOLVED:** That the report be noted.

## **8. 2007/08 ANNUAL GOVERNANCE STATEMENT UPDATE**

The Head of Finance and Assets submitted a report and commented that the Annual Governance Statement replaced the previous Internal Statement of Governance. He commented that the appendix remained as the Committee had seen in June.

The Director of Finance and Support commented that in respect of risk management an interim appointment had been made and the postholder was currently revamping the risk management process. It was intended for the Council to adopt its own local governance code in November 2008.

**RESOLVED:** (1) That the report updating the position of the 2007/08 Annual Governance Statement Post External Audit be noted.  
(2) That the Committee receive regular reports on the risk register.  
(3) That the former Interim Chief Executive's report to the Borough Solicitor on Governance Issues be circulated to the Committee.

**RECOMMENDATION:** That Cabinet approve the Annual Governance Statement for 2007/08.

## **9. 2007/08- STATEMENT OF ACCOUNTS UPDATE**

The Director of Finance and Support submitted a report that set out the External Auditor's opinion on the Council's 2007/08 Financial Statement and Use of Resources. He further commented that there remained some issues to be resolved that could alter the final position by up to £300,000.

The Chair commented upon the length and usability of the Statement of Accounts and the External Auditor commented that the Council's accounts were not the worst example but agreed to look for better examples that the Council might adopt. He commented that some authorities produced shortened accounts that were aimed at the public.

The Director of Finance and Support commented that this was welcome but the introduction of the International Reporting Standard would probably make things more complicated.

**RESOLVED:** (1) That the External Auditors' (KPMG) opinion of the 2007/08 accounts be noted.  
(2) That the Director of Finance and Support in conjunction with the Portfolio Holder for Finance be delegated the authority to make final adjustments to the Statement of Accounts to a total of £300,000.

**RECOMMENDED:** That the Statement of Accounts for 2007/08 be commended to Cabinet for recommendation to Council that they be adopted.

The meeting concluded at 19.30 hours.