

# **NORTHAMPTON BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

**Tuesday, 2 December 2008**

**PRESENT:** Councillor Perkins (Chair); Councillor Yates (Deputy Chair); Councillors Davies, Hawkins and Palethorpe

### **1. APOLOGIES**

An apology for absence was received from Councillor J Lill.

### **2. MINUTES**

The minutes of the meeting held on 25 September 2008 amended under Item 6 – Internal Audit Update, line 4, to read “Internal Annual Audit Report” instead of the words “use of resources” were signed by the Chair.

### **3. DEPUTATIONS / PUBLIC ADDRESSES**

There were none.

### **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. RISK MANAGEMENT**

Consideration was given to a report of the Director of Finance and Support, which provided an overview of the draft Risk Management Strategy and a summary of the Council's current Strategic Risk Register. It was noted that it had been agreed at the last meeting that the Committee receive regular reports on the risk register and the Chair advised that the majority of the items on the agenda this evening related to risk management. Sue Morrell, Interim Risk Manager, then elaborated further upon the report and the three reasons why the report was before Committee. She stated that there was the need to indicate required amendments to the draft Risk Management Strategy and to consider recommending the amended Risk Management Strategy to Cabinet for approval. Also the Committee were being required to note the current Strategic Risk Register which was appended to the report and to request further information as required and to nominate a Risk Management Lead Member to report to Audit Committee.

It was noted that major risk assessments would be carried out on any new projects.

In considering the report and the draft Risk Management Strategy particular reference was made to page 4, paragraph 4 of the Strategy which advised that the relevant body should be

responsible for ensuring that the financial management of the body was adequate and effective and that the body had a sound system of internal control, which facilitated the effective exercise of that body's functions and which included arrangements for the management of risk. With regard to this, the comment was made that in addition it was necessary for the Section 151 Officer to have sufficient resources to ensure that risks were minimal.

- RESOLVED:**
- (1) That the report be received and noted and the draft risk management strategy be recommended to Cabinet for approval with the message that in order for the Authority to achieve a positive risk management it must have adequate resources in key areas and that this is an area of concern to this Committee.
  - (2) That the current Strategic Risk Register be noted and that it also be noted that no further information is required.
  - (3) That Councillor Mildren be nominated as the Risk Management Lead Member to report to Audit Committee.

## **7. REPORTS REQUESTED BY AUDIT COMMITTEE**

The Chair reminded the committee that the various reports on Council debt had been requested because in the Statutory Accounts to 31 March 2008 the bad debt provision had increased by £3.1m of which approximately £2.2m impacted on the General Fund and £873k on the HRA. The committee needed to be satisfied that:-

- (i) adequate internal control procedures were in place to minimise bad debts arising
- (ii) all available and appropriate measures were taken to collect or write off bad debts.

### **7(A) COUNCIL DEBT**

Consideration was given to a report of the Director of Finance and Support, which outlined the overall movement in debt and bad debt provision between 2006/07 and 2007/08. It was noted that the Committee at its meeting on 24 June 2008 had requested that a number of reports on debt be produced and presented at a future meeting of this Committee. It was noted that this report gave an overview of the situation and that the subsequent report on the agenda dealt with specific areas of debt, ie benefit overpayments debt, Council Tax debt and housing rents debt.

- RESOLVED:**
- (1) That the report be noted.
  - (2) That in terms of whether there were any additional queries and additional information required on specific aspects of debt these be considered under the subsequent reports dealing with the specific areas of debt.

### **7A(I) BENEFIT OVERPAYMENTS DEBT REPORT**

Consideration was given to a report of the Director of Finance and Support, setting out the current position with regard to the overpayments raised, rates of collection achieved and an analysis between overpayments caused as requested by this Committee at its meeting on

24 June 2008.

In considering the report, particular attention was drawn to paragraph 3.1.7, Performance, and to the second table, which showed the comparative figures for claimant error raised in 2007/08 caused by the claimants or their landlord failing to promptly notify the authority of a change in circumstances, whether fraudulently or otherwise. Comment was made that one of the critical things needed for the service was to reduce overpayments. The Director of Housing advised that they were starting to establish a relationship with private landlords and hoped that this would be a move forward and help with these figures.

Reference was then made to paragraph 3.3.1, which advised that the Council could pursue further methods of debt recovery and that an indication was required from Audit Committee of the extent of recovery action that was acceptable to the Council. The Committee's view was that the Council should use all available and appropriate means to recover the outstanding debts.

It was recognised that in order to move forward it was vital that systems and processes continued to be improved and put into place.

In discussing paragraph 3.1.12, 2008/09 Performance, it was emphasised that the debt that was recovered must be matched against the debt to which it related. Further comment was made that it needed to be established that processes in place were adequate and therefore there was the need to check the processes for the recovery of debt. Further reference was made to paragraph 3.3.1 and it was suggested that a further addition be made to the earlier comment that it would be assumed that the old debts that were irrecoverable would be written off and that this Committee would wish to see a policy on this. The Director of Housing advised that this was in fact in hand and being re-written.

- RESOLVED:** (1) That the report be noted and that officers use all the legal recovery options available for the recovery of Housing Benefit overpayments.
- (2) That officers be requested to bring back to the next meeting of the Committee the Council's Bad Debt Write-off Policy ensuring it covers all types of debt.

## **7A(II) COUNCIL TAX DEBT**

Consideration was given to a report of the Director of Finance and Support, which again had been requested by this Committee at its meeting on 24 June 2008 and which set out the current position with respect to the debt raised and associated arrears, bad debt provisions and a comparison of estimated to actual Council Tax base.

Reference was made to paragraph 3.5.1 of the report, which again sought a response from this Committee in terms of an indication as to the extent of recovery action that was acceptable to the Council. Again as in the previous item, it was agreed that this should be that all available and appropriate action should be taken to recover the outstanding debt.

In response to a comment made, the Committee questioned whether there was adequate legal support in terms of collection and it was suggested that Cabinet be asked to look at this matter.

- RESOLVED:** That the report be received and noted and that all available and appropriate action be taken to recover any outstanding debt and that in respect of the question raised regarding legal support, in terms of collection of the debt, Cabinet be asked to look into this matter accordingly.

### **7A(III)HOUSING RENTS DEBT**

Consideration was given to a report of the Director of Finance and Support again, which had been requested by this Committee at its meeting on 24 June 2008 outlining the overall position on rent arrears between March 2007 and November 2008. It was noted that comments regarding this debt had mostly been covered in discussion of the earlier items.

The Chair asked that the Director of Housing supply details of the rent situation to the next meeting.

- RESOLVED:** (1) That the report be received and noted.
- (2) That there be no additional queries arising from this report but the Director of Housing be asked to submit details in terms of the rent situation to the next meeting.

### **7(B) BANK RECONCILIATIONS**

Consideration was given to the report of the Director of Finance and Support, which outlined the progress on various measures undertaken by the Finance Section to implement the recommendations made by the internal auditors in the Bank Reconciliation Review Report that was issued in October 2008. Progress on outstanding items on Team Central were shown at Appendix 1 and provided an update on the actions being undertaken that were addressing all other risk areas highlighted in the report.

It was noted that financial systems were currently being updated and, as part of the upgrade, this included a bank reconciliation module.

- RESOLVED:** That the report be noted and that the Committee be advised accordingly when the bank reconciliation issue is finalised.

### **7( C) BUILDING CONTROL COSTS REVIEW**

Consideration was given to a report of the Director of Planning and Regeneration, which provided an explanation of the Review of Expenditure carried out in the Building Control service. This had arisen as a result of a request from this Committee for a review of building control expenditure. It was noted that a significant part of the work had already been carried out. Annexe A to the report outlined the building control trading account.

It was noted that a report would be submitted to Cabinet in due course, proposing an increase in charges in building control fees.

- RESOLVED:** That the report be received and noted and that this Committee would wish to see a copy of the Cabinet report regarding the proposed increase in building control fees in due course.

## **8. INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report summarising progress made against the approved internal audit plan upon which the internal auditor elaborated. Reference was made to the three appendices, it being noted that Appendix 1 was an outturn statement detailing assignments undertaken and actual activity for the year. Particular attention was drawn to call out arrangements at Westbridge Depot. It was also noted that additional work on car

parking was being carried out and that a report on this would be submitted to the next meeting of the Committee.

**RESOLVED:** That the report be received and noted.

## **9. OUTSTANDING AUDIT RECOMMENDATIONS - REVIEWS REQUESTED BY CHAIR OF AUDIT COMMITTEE**

### **9(A) WESTBRIDGE STORES - FOLLOW-UP**

The Chair advised that he had requested a number of reviews, namely Westbridge Stores Follow Up, Fixed Assets and Electrical Services. He stated that Keith Miller, Interim Head of Landlord Services, was present to speak to the Westbridge Stores Follow Up report and the Electrical Services report. David Wilkins, Electrical Services Team Leader at Westbridge Depot, was also present at the meeting to answer any questions on this report and also the Electrical Services report.

The follow up review of Westbridge Stores had been undertaken as part of the 2006/07 Internal Audit Plan that had been agreed by Audit Committee.

Comment was made that, in its current set up, it was considered that the Stores at Westbridge Depot did not serve the function required of it and that action was underway to remedy this. Some discussion on this issue then ensued and the outstanding issues noted. It was also stated that unannounced spot checks were taking place in the stores as well as on trades vehicles to reinforce accountability. Committee requested a written response on each of the outstanding issues at Westbridge Stores, which would also need to be agreed by the auditor.

**RESOLVED:** That the report on Westbridge Stores Follow Up be noted and that a written response on what had been done on each of the outstanding items, to be agreed by the auditor, be submitted to the next meeting of this Committee.

### **9(B) NBC14 - FIXED ASSETS**

Consideration was then given to the second review that had been requested by the Chair of this committee regarding Fixed Assets Review. It was noted that of the eight outstanding items, two had now been fully implemented, two were not possible to implement and liaison was taking place with Internal Audit regarding these to see what could be done. Of the four remaining, two had been part implemented, one was being held back due to issues in terms of the system and one was subject to ongoing discussions. Team Central would be updated so that they could see what the outstanding position was.

**RESOLVED:** That the position with the regard to the Fixed Assets Review be noted.

### **9( C) NBC21 - ELECTRICAL SERVICES**

K Miller, Interim Head of Landlord Services, and David Wilkins, Electrical Services Team Leader, then presented the third review with regard to the electrical services overtime. It was noted that since the review there had been a substantial reduction in electricians' overtime. Trackers had been put into the Borough's vehicles and this had proved to be a useful measure.

Reference was made to the six outstanding points, which had now been rectified and in liaison with the Internal Auditor this would be confirmed and reported back to this Committee at the next meeting.

The Committee also discussed with the officers the implementation of the IBS system and its project management. The committee requested that a report on the implementation of the system along with the project plan, risk assessment and performance against plan be brought to the next meeting of this committee.

**RESOLVED:** (1) That the position be noted and a report be made to the next meeting on confirmation that the six outstanding items have been remedied.

(2) That a report on the implementation of the IBS system be brought to the next meeting of this committee.

#### **10. EXTERNAL AUDIT UPDATE**

The external auditor submitted his briefing note and commented that under paragraph 3 of Section 1, Audit of Accounts, processes were improving. The annual external audit report was currently being drafted, which would set out the findings in more detail. The scores on use of resources would be available the following Monday. Whilst improvements had been made the message was that this must be sustained and there could be no room for complacency.

**RESOLVED:** That the position be noted.

The meeting concluded at 8:55 pm.