

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Tuesday, 17 February 2009

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

### 1. APOLOGIES

Apologies were received from Councillors Davies, De Cruz and Hawkins.

### 2. MINUTES

The minutes of the meeting held on 2 December 2008 were signed by the Chair.

### 3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

### 4. DECLARATIONS OF INTEREST

Councillor J Conroy declared a personal interest in Item 8(a) as a housing tenant.

### 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 UPDATE

Consideration was given to a report of the Director of Finance and Support, which provided an update on recent progress in risk and business continuity management within the authority and a summary of the Council's strategic risk register. Sue Morrell, Interim Risk Manager, then elaborated further and confirmed that Cabinet had approved the Risk Management Strategy and that the supporting information was being put on the intranet. She confirmed that she had attended all the team meetings to identify gaps and needs that the Business Continuity Plan would cover. They had considered specific areas of risks and had aligned risk and objectives on the software under the strategic risk review. The critical function report proved a distinct difference in critical and risk and although the key points were covered it still had to be further refined.

**RESOLVED:** That the report be noted and the Business Continuity Plan be submitted to the next meeting of this Committee for consideration.

### 7. BUDGET RISK ANALYSIS

Consideration was given to a report of the Director of Finance and Support setting out the risk assessment of the budget proposals. It was noted that the budget options had been presented to Cabinet in September who had selected the various options which had to be reviewed.

It was noted that a statement on the robustness of the estimates was required to be made when the proposed budget was brought to Council for approval and in support of that statement the Chief Finance Officer had led a risk assessment exercise with the relevant Heads of Service. This allowed each proposal to be given a red, amber or green status. A

full summary of the risk assessment of the budget proposals was shown at Appendix A and some discussion on this ensued.

Particular reference was made to annex A MTPS15 for the implementation of Voice Recognition Software on the switchboard and the Committee requested that this should be audited after it went live on 1<sup>st</sup> October 2009. This was agreed.

Councillor Palethorpe noted that this was the most significant budget to be considered by Council for many years because of the changes contained within it.

**RESOLVED:** That the risk assessment of the budget proposals be noted.

## **8. UPDATES REQUESTED FROM 2 DECEMBER AUDIT COMMITTEE**

### **8.1 HOUSING RENTS**

The NBC Internal Audit Report 2008 – 09 on the Housing Rents Review was presented for consultation which provided the results of the Housing Rents review. The report reflected the findings of the controls and processes in place during November and December 2008.

The Committee discussed the report and particular reference was made to page 8 where it was noted that during the review voids periods had increased significantly since June 2008. It was confirmed that before July 2008 there were several hundred properties that had not been let out for a long period but during July and August more lettings were going through. This had resulted in the number of voids decreasing but the void period had increased.

**RESOLVED:** That the Housing Rents Review be noted and that a report back on the responses to the outstanding issues be submitted to the next meeting of the Committee.

### **8.2 WESTBRIDGE STORES**

Consideration was given to a report of the Director of Finance and Support, which updated the Committee on the progress of recommendations made by Audit in respect of the 2006/2007 Audit report regarding stores. It was advised that there were further issues that were outstanding, including the Budget Review process, the potential to override Uniclass because of its inflexibility and stock control reports.

In response to a question it was advised that Uniclass was a software management system.

In response to a further question it was confirmed that the Uniclass system was still operative and had not been fully replaced as yet by IBS. It was noted that IBS appeared later on the agenda and would be discussed further under that item.

**RESOLVED:** That the report be received and the progress made by Housing Property Maintenance at Westbridge Stores be noted.

### **8.3 ELECTRICAL SERVICES**

Consideration was given to a report of the Director of Finance and Support which updated the Committee on the progress of recommendations by Audit in respect of the 2007/2008 NBC21 – Electrical Services overtime review. The Committee discussed the report and the Internal Auditor confirmed that he was satisfied with the comments and actions that were being taken and Team Central had clear evidence that issues were being addressed.

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

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

### **9.1 COUNCIL WRITE OFF POLICY**

Consideration was given to a report of the Director of Finance and Support which put into context, the attached Write-Off Financial Instruction as requested by the Audit Committee. It was confirmed that there was an inconsistent approach to write-offs in the authority and particular reference was made to 3.3 of the appendices where if the value of debt to the Council carried by a customer was £10,000 or more, a report must be produced to Cabinet by the Service Department justifying the reasons for the write-off and Cabinet approval must be received prior to any write-off being actioned. It was advised that the debt should only be written off when every means of recovery had been exhausted.

The Committee were satisfied that the procedure outlined under paragraph 3.3.3 of the report be upheld i.e. report to Cabinet of amounts exceeding £10,000 but that Cabinet should also receive details of write offs.

The committee requested that the Bad Debt Control form requesting a write off, should be amended to included the amount to be written off on the face of the form.

**RESOLVED:** That the Write-Off Financial Instruction be agreed.

### **9.2 IBS PROJECT IMPLEMENTATION PLAN AND RISK ASSESSMENT**

A verbal update on the IBS project was given and it was noted that the implementation of a number of modules of the IBS project were outstanding. The committee was disappointed to learn that no implementation plan for the IBS system had been prepared as requested at the previous Audit Committee. Clearance of outstanding issues in the Internal Audit Report required the full implementation of the IBS system. The system would ensure that full cost recovery was made on jobs. The committee and the Internal Auditors noted that the lack of progress in this area left the council exposed in respect of cost recovery and control over jobs.

The committee was further dismayed to learn that the suitability of the IBS system was being questioned. Further discussion on this point seem to confirm that the issue was lack of project implementation skills and training.

The committee requested that a review of the outstanding issues and an implementation plan to resolve all outstanding internal audit issues should be produced for consideration by Cabinet and the Audit Committee as a matter of urgency.

**RESOLVED:** That in view of the length of time before the next committee a review plan and implementation brief be circulated to Committee members as soon as possible prior to consideration by Cabinet.

## **10. INTERNAL AUDIT UPDATE**

Consideration was given to a report of the Director of Finance and Support which summarised progress made against the approved internal audit plan. The plan was on track and the intention was to complete the audit work by the end of March. There were two final reports one a high-risk issue to ensure the new system was compliant with the Data Protection Act and the other with regard to Treasury Management.

Further papers were then circulated regarding the Draft Internal Audit Plan. Particular reference was made to HR and a change to include Pay and Grading and the use of agency workers. It was noted that the number of contract days had decreased to 334 against 370. One particular area highlighted was void management review which would be subject to

further discussion between the auditors and the Director of Finance and Support. Similarly, the Director of Finance and Support would discuss the issues noted above re the IBS system, with the Internal Auditors.

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

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

### **Team Central Report**

The Director of Finance and Support advised that the Audit Committee were able to request any reports to review or if there were major concerns on the non-delivery of reports. Gavin Chambers, Head of Finance, would distribute copies of the Team Central Report which were also available on the network.

It was agreed that bank reconciliations and payroll would be reviewed at the next meeting and the relevant officers would be required to attend.

**RESOLVED:** That bank reconciliations and payroll be reviewed at the next meeting and the relevant officers be requested to attend.

## **12. EXTERNAL AUDIT UPDATE**

D. Brett, External Auditor of KPMG, advised that this year would be their last year as the Borough Council's External Auditors and that the Audit Commission would in future be auditing the Council direct.

Transitional arrangements were in hand to ensure a smooth handover into the new financial year.

It was noted that KPMG would audit data quality final accounts.

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

## **13. EXCLUSION OF PUBLIC AND PRESS**

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to the appropriate paragraph of Schedule 12A to such Act.

The Motion was Carried.

## **14. INTERNAL AUDIT REPORT 2008-09 CAR PARKING INCOME (3)**

Consideration was given to an internal audit report which informed management of the results of the car parking income review which focused on the controls around the collection and processing of car parking income. Particular reference was made to page 6 of the report where there were a number of findings in the high-risk category. An explanation as to why this item was on the private agenda was given.

Derrick Simpson recently appointed, Town Centre Manager, then gave an update with regard to car parking and to areas of concern commenting that the updating of ticket machines was being looked into.

The Committee discussed the report and concluded that there were serious internal control

weaknesses. Whilst action was being taken to remedy these as far as possible it was noted that there was an intrinsic weakness resulting from the age and capability of existing ticket machines. Car Parking income was a significant source of revenue for the council but currently there is a distinct lack of information available from the ticket machines so that it was difficult if not impossible to establish volume of usage, time of peak usage and amounts being collected. Modern ticket machines would provide this information which would help in formulating a car parking policy and would also enable the use of payment by credit or debit card. All data could be digitally transferred to a central location.

In conclusion the committee would recommend to cabinet that a capital application should be prepared to replace the current ticket machines.

#### **RESOLVED:**

- (1) That the Committee support a capital bid to Cabinet to update all of the ticket machines and that the details of the bid be circulated to the Committee electronically.
- (2) That the Town Centre Manager submit a report on the progress regarding this application and the changes to the current internal control systems to the next meeting.

#### **15. KPMG ANNUAL AUDIT LETTER**

D. Brett, External Auditor of KPMG, advised that this item was required to be on the private agenda as the Audit Commission had delayed the date of release of the resources score ratings until 5 March 2009. He confirmed that the purpose of the report was to summarise the progress that had been made by KPMG over the past year. An unqualified opinion and audit certificate had been issued on 30 September together with an unqualified opinion on value for money. Two issues needed addressing namely bank reconciliations and working papers.

The use of resources last year in the present form were better performance in accounts, better performance overall on uses across the board and data quality. For the future they looked forward to receiving a limited settlement from Central Government and a collection of debts and implications for the new accounts. Particular reference was made to appendix A which had 12 recommendations and various priorities that would be implemented in phases.

Congratulations were made to the Director of Finance and Support and the Head of Finance for what had been achieved so far.

The meeting concluded at 20.40