

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 10 January 2011

**PRESENT:** Councillor Woods (Chair); Councillor Collins (Deputy Chair); Councillors Hawkins

### 1. APOLOGIES

Apologies were received from Cllr Wilson, who was substituted by Cllr Garlick and Cllr J Lill who was substituted by Cllr Maplas.

### 2. MINUTES

The minutes of the meeting held on the 8<sup>th</sup> November 2010 were signed as a true record.

### 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

The Chair was of the opinion that the following item be discussed as a matter of urgency due to the undue delay if consideration of it were deferred.

#### Decent Homes Review

The Head of Finance circulated a report at the meeting to provide the Committee with an overview of the Internal Audit inspection into the Decent Homes contract. It was reported that a number of issues had arisen that had not been in the original Price Waterhouse Cooper report. The Council had responded and would be delivering and implementing the actions that had been identified.

The Internal Auditor reported that a robust process should be implemented in order to avoid conflicts of interests arising should an officer have previously worked for a tendering company. The Director of Finance and Support informed Members that there was a procurement procedure checklist, which would ensure that Officers would have to declare an interest if they have previously worked for a tendering company being used by the Council. This was one of a number of improvements that had been made and it was noted that no impropriety had been found re the year-end figures.

In response to a question asked, the Head of Landlord Services informed the Members that there would be a restructure in the Housing Department, the budget for which had been approved. The Chair noted that previously there had not been the correct level of contract management, but serious improvements had and would be made.

### RESOLVED:

**That the overall findings of the Internal Audit report and the follow-up review be noted.**

### 6. TREASURY MANAGEMENT STRATEGY 2011-12 TO 2013-14

The Finance Manager submitted a report, which appended a draft report to Cabinet to be submitted on the 23<sup>rd</sup> February 2011 and invited the Audit Committee to put forward any further recommendations. It was noted that the report was produced annually to cover a three-year period but the main focus of the report should be scrutinizing Annex E and F of the appendices, as they were specific to the Borough Council.

It was reported that with regards to Capital Finance, the Borough would be looking to internally finance rather than externally; i.e. the Council would use its own cash flow, as long term borrowing rates remained high and by doing this would equate to better value for money and the risks would be lessened.

The policies for the management of counterparties had not changed and Annex H listed the Counterparties that met Northampton Borough Councils investment criteria for 2011/12. In response to a question asked by Councillor Yates, it was explained that whilst the list contained over 60 banks meeting the NBC criteria, not all of those listed would be willing to accept the money and some set their deposit investment rates at different rates and therefore it would be necessary to shop around for the best deal.

The Director of Finance and Support explained that the Treasury Management Strategy reflected the overall view of the market and the risks that were posed. It was advised that the Council play safe, but that there would be an increase in flexibility. I.e. as outlined above the use of internal funds would minimise budget requirements, with emphasis being placed on the cash flow and not the reserves. The Director of Finance and Support informed the Committee that some money was invested by the Council overseas, but that all the money that was borrowed came through the public loans board.

**RESOLVED:**

**That any changes to the report would be delegated to the Director of Finance and Support and the Portfolio Holder for Finance.**

**7. RISK REVIEW OF 2011/12 BUDGET OPTIONS**

The Director of Finance and Support submitted a report, which outlined the risk assessment of the budget proposals. It was noted that the relevant Heads of Service had completed a risk assessment as part of the Medium Term Financial Plan. The schedule of budget options (attached at Appendix 1 of the report), which outlined a more detailed approach of the options, put forward for consultation.

The Director of Finance and Support briefed Members of the process, which would be undertaken during the proposed restructuring of departments. The calculated risk would be the result of the consultation and whether or not the savings would be delivered. It was reported that in some areas there had been synergies, which had resulted in a duplication of skills.

Councillor Hawkins asked, in relation to the deletion of the post of Landscape Architect, if there would be a danger to the budget process if it became apparent that the terminated position would be needed in the future and what costs would be incurred should an employee be taken on temporarily. The Director of Finance and Support reported that the post had been vacant for the past three years; should it become necessary, a person could be employed on a temporary basis.

In response to a question posed by Cllr Garlick, the Director of Finance and Support informed the Committee that there remained an adequate amount of flexibility in the budget and the increased level of General Reserve held would leave a balanced budget for the year, but increased efficiency would be necessary in future years.

It was noted that a significant exercise had been conducted to review the 25% Single Person Discount (SPD) on Council Tax. Work had been carried out with approval of the County Council, which had examined the number of claimants for the 25% discount. The actual number of people who had been claiming SPD was in the region of 32,000 residents – the number of which had reduced significantly after the review had been carried out which was still being worked on.

In reference to the increase in Fees and Charges for room hire across museum, Cllr Hawkins asked for further clarification with regards to the actual risk and whether any financial assessments had been done into whether the abolition of fees would increase the amount of people visiting the area and thus increasing spending in the local area. It was reported that there would not be an increase in fees to the admission of Leathercraft, but there would be a small increase in room hire and refreshment charges.

The Chair asked how Risk would be dealt with in relation to Localism and if the Councils budget would cope with further government demands and cut backs. The Director of Finance and Support reported that the Council had an adequate overall level of reserves. Due to the speed in which some Government decisions had been made there was a necessity to have a healthy reserve in order to cope with time limited budget proposals. It was

further reported that the reserves were there to cover unforeseen circumstances and the Council was attempting to build up the reserves at a steady rate.

**RESOLVED:**

**That issues in relation to risk within the budget proposals for 2011-12 were considered.**

**8. SERVICE AREA RISK REGISTER REVIEWS - CUSTOMER SERVICES**

The Corporate Risk and Business Continuity Manager and the Head of Customer Services and ICT submitted a joint report and provided an update on the Service Area Risk Register – Customer Services. A comprehensive list of all the Customer Services objectives had been included in the report. It was reported that one of the main objectives was to encourage customers to use electronic means to access services rather than face to face as a means of reducing expenditure.

Councillor Yates suggested that there were a low number of low risk scores, but it was reported that this figure was partly due to the major work that was currently being undertaken with regards to the major refurbishment of the One-Stop Shop and across the board.

Councillor Hawkins expressed her concern that one of the Risk Causes was very high – with regards to the expectation of customer levels of services. The Head of Customer Services and ICT explained that there was on going customer service training and customers had been consulted in what their expectations and the standards they wanted to see which management had approved. Cllr Hawkins further expressed anxiety about the reduction of face-to-face interactions and questioned how sufficiently secure the cross section of residents sampled as there would be a high proportion of customers who would not wish to use electronic means. The Director of Finance and Support reported that there was a variety of ways customers could access the services of the Council. From a financial point of view it was noted that embracing technology was a positive progress but it would never substitute face-to-face interactions.

The Director of Finance and Support further explained that whilst there was a number or red (high scoring risks) it could be regarded as positive since these were being honestly identified and the service can then strive for improvement, monitoring the situation, and

further reducing risks.

## **RESOLVED**

**That a review of the Customer Services risk register be undertaken.**

### **9. EXTERNAL AUDIT UPDATE**

The Head of Finance submitted a report, which provided an update on the progress of the external audit of matters relating to 2009/10. It was explained that the Audit Commission had provided the Council with 2 reports; the Annual Audit Letter 2009/10 and the Certification of claims and returns at Appendix 1 and 2 of the report.

The External Auditor outlined the findings in Appendix 1 of the report and gave a summary of key issues. In relation to 'Managing Finances' he reported that there had been more focus placed on Value for Money (VFM) rather than financial resilience. He further explained that he had acknowledged the national financial challenges and issued an unqualified conclusion stating that Northampton Borough Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

The External Auditor elaborated on the Certification of claims and returns and informed the Committee that there was a need for the Council to demonstrate to the Auditors that they had met the conditions attached to the funding from Government's grant-paying department. It had been demonstrated that there had been an increase in collaborative working and the assistance and cooperation of staff had been appreciated. It was reported that the Council's arrangements for the preparation and submission of grant claims were good and any amendments had been relatively minor and none of the claims had been qualified. He confirmed that all matters arising from the work had been discussed and agreed with officers and there were no recommendations for improvement within the report.

## **RESOLVED:**

- 1. That the overall findings of the Council's external auditors as contained in the Annual Audit Letter 2009/10 be noted.**
- 2. That the overall findings of the Council's external auditors as contained in the Certification of claims and returns – annual report 2009/10 be noted.**

### **10. INTERNAL AUDIT PROGRESS REPORT 2010/11**

The Internal Auditor submitted a report and summarised the progress made against the approved internal audit plan. It was noted that work was still on track to complete the draft audit plan for the end of year. In relation to the number of recommendations that were had been made and yet to be implemented (Appendix 2) it was noted that previous figures had had shown between 30-40 outstanding recommendations to be implemented; significantly more than those of 2010/11.

Audit Committee noted the improvements made in the bank reconciliations area with specific reference to the audit report at Appendix 4 to the report.

It was noted that a specific risk, where expenses had been processed without being checked for appropriate authorisation, was one that remained in the high Risk rating due to the increased risk of inappropriate and unauthorised expenses being claimed. It was reported that a contribution to this Risk was the use of temporary employees who would not have been aware of the Authorised Signatory List (ASL). The Director of Finance and Support reported that the ASL was being updated currently to reduce the risk and that action would be taken and safeguards introduced by 31<sup>st</sup> January 2011.

With reference to the internal expenses review, Cllr Garlick commented that there remained a considerable amount of confusion with regards to Members Allowances. Cllr Davies informed the Committee that the information was available on the intranet and further consultation would continue between Members and the Democratic and Electoral Services Manager.

The Chair also requested that a report be bought before the Committee to provide further information on the 5 high-risk items in Appendix 3 to the report.

## **RESOLVED**

- 1. That the report be received.**
- 2. That a report be bought before the Committee at a later date to report back on Members Allowances**
- 3. That a report be bought before the Committee on the 5 high risks items reported in Appendix 3 to the report**

## **11. 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.

## **12. PRIVATE MINUTES**

Cllr Hawkins asked for further information with regards to a private report submitted at the Audit Committee held on the 18<sup>th</sup> November 2010.

The Chair confirmed that appropriate security measures were now in place and a further report would be bought to the committee when there were any significant changes to the status of the item

## **RESOLVED:**

**That a report be bought before the Committee when any significant progress had been made.**

The meeting concluded at 8.15pm