

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 21 March 2011

**PRESENT:** Councillor Woods (Chair); Councillor Collins (Deputy Chair); Councillors Davies, Malpas (In place of Hawkins), Palethorpe, Wilson and Yates  
**APOLOGIES:** Councillor Jean Hawkins and Councillor Judith Lill

### 1. MINUTES

The Minutes of the meeting held on 10 January 2011 were confirmed and signed by the Chair as a true record.

### 2. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

### 3. DECLARATIONS OF INTEREST

There were none.

### 4. 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.

#### Partnership Arrangements Review Update

The Democratic & Chief Executives Services Manager circulated a report at the meeting to provide the Committee with an overview of its status.

The Committee were updated on the progress of the Officer Group in regard of Partnership Working. The Committee was also advised that, due to factors such as the change in the economic climate, the abolition of the Comprehensive Area Assessment (CAA), resources, the launch of Big Society and the Localism Bill there had been a change to the idea of partnership working and a change to the types of partnerships this Council will be working with. In turn this has all impacted on the Officer Groups ability to deliver the recommendations of the Audit Committee.

It was noted that the Group had been reviewing current Partnerships this Council were involved in to ensure there were good processes. It was anticipated that the delivery of the recommendation would be in May 2011 and the policy rolled out to staff in June 2011.

There was also discussion around Members Expenses. This was due to the decision to provide all Councillors, who request it, an allowance for travel within the Borough being denied by Full Council. There would instead be a review of the policy.

Members noted that they would welcome better guidance on the allowance scheme. Members also commented that if Councillors had more knowledge of Members Expenses and were given an option to 'opt out' Members might be in a position to reconsider an optional basic allowance for travel within the Borough, particularly if this would be a more cost effective exercise taking into account the amount of officer time used to process allowances.

**RESOLVED:**

1. That the cost of Member allowances and officer time taken to process, be considered and reviewed with a report of the outcome taken to Management Board; and
2. That the outcome be brought to a future Committee for noting.

**5. RISK MANAGEMENT UPDATE - STRATEGIC RISK REGISTER**

The Corporate Risk and Business Continuity Manager submitted a report, which enabled the Committee to review the updated Strategic Risk Register for noting or to suggest any amendments. It was confirmed that there were some changes in regard to what was deemed as a 'Strategic' risk and therefore some risks seen previously had been moved to an appropriate service register.

Members questioned the reasons why risks such as the Environmental Contract had been downgraded to a service risk. It was confirmed that a Strategic Risk was deemed as one where there was concern in regard of business success and vitality of the whole organisation. As an example, the Environmental Contract was noted as a risk only affecting one service so it was now located on the appropriate Service Register. Members were advised that they could request that these service registers are brought before this Committee for review. It was also noted that if a risk were to change it could be down graded or up graded where appropriate.

**RESOLVED:**

1. That a review of Environmental Services Risk Register be brought to the meeting of the Committee in September 2011;
2. That a review of the Leisure Trust Risk Register be brought to the meeting of the Committee in October 2011; and
3. That the Strategic Risk Register be noted.

**6. IFRS AND PROPOSED CHANGES TO THE ACCOUNTS AND AUDIT REGULATIONS 2003**

The Assistant Head of Finance presented a report with an overview of changes arising from the International Financial Reporting Standards (IFRS) and proposed amendments to the Accounts and Audit Regulations 2003. It was noted that there were a few key areas of change and that there would be an increase of 50% of notes and disclosures.

Changes were noted as:

- That on property leases the land and buildings to be split and separately assessed;
- Property assets held for sale to be actively marketed and ready to sell;
- Employee benefits accrual and that outstanding annual leave, time off in lieu (TOIL), flexi time, maternity and long term sick now to be included and calculated on 31 March annually;
- A change to Government Grants in regard of the status of conditions attached to grants;
- New regulation in regard of Group Accounts;
- The Chief Finance Officer will now sign off the accounts by 30 June annually; and
- That the accounts will near replicate those of the Private Sector in order for a clearer understanding of content and terminology.

**RESOLVED:**

1. That the Statement of Accounts no longer being brought to Committee prior to 30 June and the commencement of the year end audit be noted; and
2. That the contents of the report be noted.

**7. GIFTS AND HOSPITALITY**

The Director of Finance & Support presented a report to the group on Officer and Members Gifts and Hospitality. It was confirmed to Members that there was a policy in place in regard of the receipt of Gifts and Hospitality over £25 and that Members and Officers should register any receipt of gift or hospitality with the Monitoring Officer. It was noted that details in regard of what constitutes a gift or hospitality can be found in the respective codes of conduct and all details can be made public on receipt of a Freedom of Information request.

Members discussed and noted the following:

- That information was not currently on the Internet and whether this could happen in line with processes at other authorities; and
- The value of £25 as whether this was legislative or decided by this Council.

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

**8. EXTERNAL AUDIT UPDATE**

The Head of External Audit presented an External Audit Update Report. It was confirmed that the 2009/10 had now been completed and work was well underway on the 2010/11, of which progress was noted in the report. It was also noted that the key financial system was now complete and there were no significant matters arising.

Members noted to external audit that they were pleased that due to time worked together and them now having a greater knowledge of this Councils capabilities that they had been able to pass more responsibility to internal officers.

**RESOLVED:** That the progress of external audit plans as contained in the Audit Commission's Progress Report of March 2011 (Appendix 1) be noted.

**9. INTERNAL AUDIT UPDATE REPORT AND DRAFT INTERNAL 2011/12 OPERATION AUDIT PLAN**

The Committee received a report from the Senior Manager at PricewaterhouseCoopers (PwC) on the Internal Audit Update Report and Draft Internal 2011/12 Operation Audit Plan. During discussion it was noted that the Annual Report would be received at the next meeting of the Committee.

Since the last meeting it was confirmed that draft reports had been sent out in regard to various services as in 3.2.2 where no significant issues had emerged. There had also been work on the four high-risk contracts as tabled in 3.1.2.

There was discussion around the core financial systems and that there was a draft review around the creditor payments system (IBS) and its controls show that it is still not working to its expected level. Issues were raised in regard of IT issues, which had been addressed, and the usage by staff, which may not be accurate. Members commented that staff had

previously used an outdated system and noted that it was likely that a future Audit Committee would like to receive a report on this to address further issues.

In regard of the Draft Internal Audit Risk Assessment and Plan it was noted that this was still in draft form but the full and final plan would be received at the next meeting post the receipt of Management Board responses. It was noted that the plan was in order to create a more robust audit process.

It was confirmed to the Committee that the plan would identify common issues and potential key risks. It was noted that there was a need to understand this process across the authority, to understand what the process had learned and how strong are this authorities controls were.

Discussion took place around the Internal Audit Plan and Indicative Timetable.

Members commented on the risk assessment criteria for a 'Major Impact'. It was noted as level of risk before controls were in place, the potential impact for a major impact on performance and the audit requirement rating.

- RESOLVED: 1.** That an update on the actions / action plan to deliver the recommendations of the IBS Creditors report be brought to the June audit committee; and
- 2.** That the Draft Internal Audit Risk Assessment and Plan 2011/12 be noted.

## **10. 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.

## **11. SPECIAL REVIEW - PROTECTION OF THE MUSEUMS COLLECTION: ACTIONS UPDATE**

The Committee received a report from the Cultural Services Manger on the Special Review in regard of the Protection of the Museums Collection: Actions Update. It was noted that the special review occurred due to a change of insurers requiring an independent valuation of this authorities collections.

Members discussed Page 92 and what the meaning of 'further accidental damage'. It was noted in response that some items were damaged due to vandalism and other items were received or purchased imperfect. Members then discussed the items yet to be located for valuation. In response it was noted that this was an Officer priority. The Director of Finance confirmed that all items were located in one of the Councils buildings but the Officers were unable to locate at the time of the valuation and confirmed that all items were catalogued for insurance purposes.

It was also noted that this Committee, through Monthly Monitoring Delivery, would receive updates on this Special Review.

**RESOLVED:**

That the actions taken to date, and proposed actions to be taken be noted.

The meeting concluded at 7:30 pm

# Minute Item 4

## **Partnership Arrangements Review Update to Audit Committee** **21stMarch 2011**

### **Background and progress to date**

A project group was established to deliver the recommendations from the Internal Audit entitled Partnership Arrangements Review. The main purpose of the recommendations was to ensure good governance and performance management arrangements are in place for partnerships in which the council is involved. Work commenced in developing a partnership protocol and conducting an initial scope of partnership arrangements within the Council.

The recommendations were due to be delivered by the end March 2011. However, since this work was begun, the environment in which Local Authorities operate with respect to partnerships and performance has changed, which caused the group to assess the impact that these changes would have on local government and in particular to consider whether its original approach to this piece of work would still be appropriate.

### **Changing environment with regards partnerships and performance**

Local Government has experienced the following changes since May 2010.

- Abolition of CAA and Use of Resources
- Abolition of LAA and the National Indicator Set
- Move away from central government inspection regime to local authority self-regulation
- Launch of Localism and Big Society

Locally, this has resulted in:

- Changes to the Partnership Support Board
- Creation of the Northamptonshire Partnership
- Anticipated review and re-focus of the LSP
- Shift in performance culture to self-regulation in the absence of regulation from central government

### **Future approach**

Now that the council has greater clarity about the future role of partnership working and performance monitoring in Local Government, the project group proposes to amend its approach to delivering the recommendations of the original internal audit review by:

- Integrating the requirement for service areas to review their involvement in partnerships with existing processes, such as service planning and change management, rather than creating a separate and potentially bureaucratic protocol
- Providing officers with guidance in place of a protocol for what they must consider when entering into a partnership, but being less prescriptive about the process they have to follow to do this. This is in recognition that a single protocol could not cover the plethora of different partnerships that the council is currently involved in or may wish to join in the future, particularly as a result of initiatives such as Localism and Big Society
- Empower service areas to self regulate their involvement in partnership, but ensuring from the corporate centre that they conduct regular monitoring and review
- Acknowledging that the Council will likely enter into far more partnerships with a greater range of requirements upon the council in the future and that the partnership protocol will not be able to provide guidance for all

New processes to be live by end of May and rolled out to the Council by end of June 2011.