

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Tuesday, 4 December 2007

PRESENT: Councillor Perkins (Chair); Councillor B Markham (Deputy Chair);
Councillors Hawkins, J Lill

1. APOLOGIES

Apologies for absence were received from Councillors De Cruz, Scott and Tavener.

2. MINUTES

Minutes of the previous meeting were agreed and signed.

The Committee was updated on the actions arising from the previous meeting.

In relation to Council Tax and Benefits reconciliation of the properties it was noted that systems and procedures had been put in place and the matter was now resolved.

D Brett circulated a breakdown of the costs in relation to the work carried out by External Audit in 2006/2007. The Committee discussed the increase in cost in comparison to previous year. It was noted that this was due to the difficult period the Council had gone through this year, which included the loss of staff in accounts.

A briefing note was to be circulated to the members in respect of the authorities debt position and provisions made against them.

3. DEPUTATIONS / PUBLIC ADDRESSES

RESOLVED: That D Brett, External Auditor (KPMG), be granted leave to address the Committee in respect of Item 5 "External Audit Progress Update".

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

There were none.

5. EXTERNAL AUDIT PROGRESS UPDATE

D Brett reported that the fieldwork and assessment for Use of Resources had been completed. It had been submitted to the Audit Commission who was due to advise the Council on 10 December on the overall score. The Council would then get an opportunity to comment on the score. The final score would be confirmed by the Commission in January.

In response to a query he commented that the quality of Finance work was pleasing and it was clear that the Council had put in great effort this year. Consequently they had delayed the issue of their report.

The Committee noted that the Audit Commissions comment on the Direction of Travel was not due until February 2008.

RESOLVED: That the report be noted.

6. INTERNAL AUDIT PROGRESS UPDATE

C Dickens, Internal Auditor (PWC) presented their progress report. He reported that majority of their work was planned to be delivered in quarter 3 and 4 including most of the work on the core financial systems. It was noted that the report on Voluntary Grants had not yet been issued.

To date they had made 51 recommendations, 21 of which related to this quarter.

The two key issues identified had been in relation to Voluntary Grants. There was insufficient evidence to support decisions made over grants allocations and there had been discrepancies against the grants agreed and the actual payment.

It was noted that all 2006/2007 internal audit recommendations had been put on the Team Central system. They were working with the Council's IT department to set access levels by Managers. They were also in the process of drafting an 'idiots guide' for users on how to access the system. In response to a query it was noted that it was possible for Members to have access to Team Central, however they would need to work out the limitations.

RESOLVED: That the report be received.

(A) INTERNAL AUDIT REPORTING PROTOCOL

C Dickens, Internal Auditor (PWC) presented the report stating that a formal reporting protocol had been agreed in order to monitor internal audit performance. The Committee noted the process for key milestones for 07/08 Internal Audit fieldwork.

I Proctor, Director for Finance commented that the protocol was aimed for Internal Auditors and Officers. She suggested that the final copy of the report could be circulated to Audit Committee for debate.

RESOLVED: That the Internal Audit Reporting Protocol be approved.

(B) AUDIT COMMITTEE TRAINING

C Dickens, Internal Auditor (PWC) presented the report proposing an approach for the delivery of training to the Audit Committee. In order to engage the Committee members the proposal was to initially conduct a self-assessment checklist designed to measure the effectiveness of the Committee. The information would identify the gaps in knowledge and awareness. The intention was to provide an appropriately tailored training to for Committee members to address any wider issues.

It was noted that the training would be approximately 2-3 hours long and would take place in the evening, in the New Year.

The Committee commented following the annual Council in May 2008, there might be a change in the Committee membership. They needed to take this into account prior to organising the training, to ensure that there was not a training gap.

I Proctor, Director for Finance suggested that the training could be opened to all Members. This would allow the political groups to discuss the future membership of the Committee.

The Committee agreed with the proposal. It was agreed that the self-assessment questionnaire would be sent to all Councillors.

RESOLVED: That the proposal, approach and timescales be approved and that the training be opened to all Councillors.

7. FINANCE UPDATE

I Procter, Director for Finance gave an update on Risk Management and Financial Regulations.

(A) RISK MANAGEMENT POLICY

I Procter, Director for Finance presented the report on risk management. She commented that risk management review was carried out annually. This years review was of a pragmatic nature and the main changes to the Strategy included the introduction of Risk Registers at Chief Officer level and Management Board being given the responsibility for its review and update.

It was noted that due to time constraints they did not have an opportunity to consult with the Audit Committee.

It was noted that there was a gap in capacity due to the loss of the Risk Manager. They would be advertising for the role, however the role would slightly differ and include the business continuity aspect. The Council needed to have a business continuity plan, which differed from an emergency plan.

The Committee discussed the Risk Management diagram (Appendix 1 A). It was noted that the Corporate Plan was the core high-level document, which filtered out at various levels into service plans of individual departments. The aim was to link all levels and mitigate risks. It would be a two-way process.

The Committee discussed their role in the process as outlined in the report. Councillor Perkins commented that as this Committee was required to report to the Council annually on the effectiveness of the Council's risk management systems, it might be useful for them to be involved in a project. He proposed that the Committee review a Revenue and a Capital project and how the risks were assessed and mitigated. He suggested that they could look at the Balloon Festival. I Procter, Director for Finance commented that she would discuss the issue with the relevant officers and suggested that the Committee might wish to receive regular updates.

In relation to a Capital Project, I Procter, Director for Finance suggested that the Committee might wish to look into a project in her area. They were currently carrying out a feasibility study on their IT systems.

The Committee agreed to review the risk management aspects of the two projects Balloon Festival and Feasibility Study of the IT systems.

- RESOLVED:**
- 1. That the Council's Risk Management Policy and revised Strategy be noted.**
 - 2. That the Audit Committee reviews as part of their role, the risk management aspects of the two projects Balloon Festival and Feasibility Study of the IT systems.**

(B) FINANCIAL REGULATIONS

I Proctor, Director for Finance presented the report on the new Financial Regulations. She commented that it was one of the key governance tools to ensure that all aspect of finance were managed and regulated.

They had reviewed the regulations and where necessary updated the regulations in line with the Council's needs and the Accounts and Audit Regulations 2003.

She reported that the changes to the regulations included the clarification of the officer and member responsibilities in relation to financial governance. The regulations would be backed with procedures and rules, they were in the process of producing an operational framework.

The new regulations had gone to the Finance Government Monitoring Board, who found them to be quite strict. She commented that at this stage this was deliberate, as the Council needed to tighten controls. The operation of the regulations would be reviewed and with time and improvements it would become more lenient.

In response to a request it was suggested that due to time constraints, once Cabinet approved the scoring scheme to priorities capital projects, it would be circulated to the Audit Committee.

RESOLVED: That the report be noted.

8. INTERNAL AUDIT VOID MANAGEMENT REPORT

G Chambers, Head of Finance, presented the report on the Review of Voids Management. He commented that the audit had identified three medium and three low risks. These related to Design of the controls under review, Operation of the controls under review and Value for Money. It was noted they had allocated responsibilities to individual officers, and that progress would be monitored.

Chris Dickens, Internal Auditor (PWC), in response to a query about the risk in achieving value for money and adhering to its Financial Regulations, it was noted that the immediate risk had been resolved in the short-term. However they needed to find a long-term solution, and hence an additional target date of June 2008 had been set. I Proctor, Director for Finance added that they had undertaken a direct review on Voids Maintenance and were looking at Capital gains not just quick fixes.

The Committee discussed the issues around the re-letting of void properties and whether they were included in the review, especially as it was seen as a key issue. C Dickens, Internal Auditor reported that agreement in reporting issues was based on 'report by exception'. He commented that this issue would have been part of the review, however he would look into the issue and clarify. Councillor Perkins commented that it would be helpful in future to include a short conclusion against each of the items included in the Approach and Scope section of these reports.

RESOLVED: That the report be noted.

9. EXCLUSION OF PUBLIC AND PRESS

There were no further items for discussion in private.

The meeting concluded at 19:20