

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 21 May 2012

**PRESENT:** Councillor Hallam (Chair); Councillor Oldham (Deputy Chair); Councillors Beardsworth, Gowen, Nunn, Palethorpe and Subbarayan

### 1. APOLOGIES

There were none.

### 2. MINUTES

Subject to the amendment of the word 'moist' to 'most' in section 8 bullet point 5 the Minutes of the meeting held on the 19<sup>th</sup> March 2012 were confirmed and signed by the Chair 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

There were none.

### 6. EXTERNAL AUDIT PROGRESS REPORT

The Director of Resources submitted a report which the External Auditor presented to the Committee. He provided an update on the audit plan along with the latest progress report and elaborated thereon. He confirmed that risks had been identified which included the Joint Environmental Services Contract that had included the possibility of an embedded lease.

In response to a question from Councillor Beardsworth, the External Auditor confirmed that an embedded lease was a Service Contract which could include the use of assets or a building which the accounting rules could regard as a lease.

The second risk was the HRA reforms due to the size of the numbers paid to the CLB and was not a risk only to the Council but to most Local Authorities. Issues from last years audit would also be followed up.

The External Auditor confirmed that there were three risks around financial pressures; reforms and the report detailed how the Local Authority managed the risks, budget and financial planning. Most of the milestones had been completed and there were no issues to report. There was still a potential threat due to a member of the local audit team being married to an employee of the Council. The risk had been mitigated by ensuring the auditor did not undertake any work related to her husband's department or payroll system. The Commission forecast a significant reduction in their fees for next year.

Councillor Beardsworth raised concerns over the review of the Environmental Services Contract and had been advised by the relevant Portfolio Holder that it had not had a review.

The External Auditor responded that it was the Management's responsibility to deliver the service and they had reviewed the accounting treatment and not the delivery aspects of the contract. They would expect the financial department to review it and decide if it was an embedded lease.

The Assistant Head of Finance confirmed that the finance department were aware of the situation and it would be reviewed. The results could be made available to Councillors if required.

The External Auditor referred to the Progress Report in appendix 2 which detailed the Council's performance against the Audit plan. Two elements had been completed and the remaining were due in the Summer. He provided an update on the externalisation of the Audit Practice and confirmed that Councils would be able to appoint their own auditor with the advice of a special panel. KPMG had won the contract for the East Midlands area and changes would be made at the end of October although this would have no impact on the current audit and would still be carried out efficiently.

## **RESOLVED:**

1. That the 2011/12 audit plan be noted.

That the progress of external audit plans as presented to the Committee by the Council's external auditors be noted.

## **7. FINANCE MONITORING**

The Assistant Head of Finance submitted a report regarding car parking income and outstanding debts and recovery.

The Director of Customers and Communities confirmed that there had been an overspend before the contract commenced as the costs were not properly understood when it was first budgeted. Additional costs were not taken into account but these lessons had been learned from.

In response to a question from Councillor Palethorpe the Director of Customers and Communities confirmed when the contract was taken over there were a lot of phone calls from the public which they had to staff. They were unable to claim the money back from Enterprise as it was the Council's costs and they had to deal with the calls arising. She confirmed that it was an ambitious plan to procure with another Council and the decision had been taken make the change immediately instead of a gradual change. They were on target to deliver the savings forecasted.

Councillor Beardsworth noted that there had been a reduction in the car park tickets income. It had been hoped that providing the first hour free would encourage people to spend longer in the Town Centre and the Council would recoup their costs.

Councillor Oldham remarked that the scheme was still fairly new and should be reviewed in 6 to 9 months time. Councillor Hallam agreed and that the car park income should be reviewed and events in the Town Centre should be taken into account over a 13 month period.

In response to a question about council tax arrears from Councillor Palethorpe, the Assistant Head of Finance confirmed that when the council tax base and the council tax was set, 97.5% was expected to be able to be collected. 2.5% are expected to become bad debts. The collection levels are within the parameters expected and the Council is on target for the

collection fund to break even for 2012/13. The large amount of arrears, which are still being chased relate to the Borough's element and also the County and the Police Authority. The Borough share is only about 14% of the total so the potential impacts on the Council should be looked at in this context. The collection of council tax is on target, which is excellent especially because of the current economic climate.

**RESOLVED:**

1. That consideration of the contents of the Finance Reports be given:
  - General Fund Revenue (Appendix 1);
  - General Fund Capital (Appendix 2)
  - HRA Revenue (Appendix 3)
  - HRA Capital (Appendix 4)
2. That the year-end position on car parking income and usage (Appendix 5 of the report) be noted
3. That the latest position in relation to the Council's outstanding debts and recovery (Appendix 6 of the report) be noted.

**8. INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor submitted a report on internal audit activity for the current years up to the date of the Committee meeting and commented that within the report set out the obligations under the CIPFA Code of Practice. It was noted that through the programme of work 4 high, 30 medium and 38 low rated finds had been identified. It was also explained that other areas of risk had been identified with regards to contract governance and explained that more work was needed setting up contracts, procurements, voids and performance. The majority of functions audited in 2012/13 were classified as low risk and improvements had been made on previous years. The results of the individual assignments showed no negative direction of travel.

It was explained that a follow up of the Procurement recommendations raised was completed in March 2012; the Internal Auditor asked the Committee to note that the original review was undertaken at the request of Management. It was noted that 17 actions had been identified; 11 of which had already been implemented, 1 was no longer applicable and 6 of which that were currently outstanding. The performance indicator report had identified one high risk finding which was relating to the number of days taken to resolve cases of Anti Social Behaviour. Councillor Beardsworth commented that it was important for this issue to be resolved as soon as possible to allow people a decent standard of living.

The Internal Auditor concluded that there had been continued improvements with regards to debt recovery and whilst there may be an increase in debt it would mostly be attributed to external factors.

The Deputy Chair confirmed that good practices had been recognised and was happy with the progress.

**RESOLVED:**

That the report be received.

## **9. 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.

The meeting concluded at 7.43pm