

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 23 July 2012

**PRESENT:** Councillor Larratt (Chair); Councillor Oldham (Deputy Chair); Councillors N Choudary, Nunn, Palethorpe and Subbarayan

### 1. MINUTES

The Minutes of the meeting held on the 21<sup>st</sup> May 2012 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

There were none.

### 5. TREASURY MANAGEMENT OUTTURN 2011-12

The Finance Manager (Treasury) submitted a report. It was explained that the Audit Committee had been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. It was noted that a new borrowing of £184 million had been undertaken in March 2012 to fund a settlement payment to the DCLG to buy out of the housing subsidy system. It was further noted that the Council had adopted a 2 pool approach to splitting debt between the HRA and the General Fund.

In response to a question asked by the Chair, it was explained that the second part of the year's performance differed from the first part due partly to the extension of investments. It was also explained that it was possible that the LIBOR rate was overstated, but it was impossible to know to what extent that may be, although it was explained that it would not be or detriment to the Council.

The Committee noted one of the banks that had belonged the Council's recommended counterparty list had been removed. It was explained that the Finance department continually monitored credit ratings and the counterparty list to be constantly vigilant and ensure that the Councils budget was being protected and safeguarded.

### RESOLVED:

That the Treasury Management Outturn Report for 2011-2012 be approved by the Audit Committee prior to it going to Council on the 10<sup>th</sup> September 2012

## **6. FINANCE AND MONITORING OUTTURN 2011-12**

The Director of Resources submitted a report which outlined the outturn position for the Council's General Fund, Housing Revenue Account (HRA) and the Capital Programme for the financial year 2011/12 along with a Housing Revenue Account Capital Variation form for 2012/13. The Assistant Head of Finance explained that the pre audit outturn position for the year-end would result in general reserves in the region of £3 million, in line with the minimum risk levels. It was noted that the Capital expenditure for 2011-12 totalled £33.09 million against the approved budget of £35.36 million – the majority of which was carried forward to 2012/13 to complete the projects. The Committee noted that the Councils accounts are currently being audited.

In response to a question asked by the Committee, the Director of Resources explained that there had been a movement of £1,219K from the period 10 forecast to the final outturn. In response to a comment made by the Committee she explained that the level of the gap in forecasting the underspend was not acceptable but that more robust monitoring of would be put in place.

The Deputy Chair questioned if the underspend could be used to offset any potential problems with the budget. He was assured by the Director of Resources that all underspends were being examined and where relevant would be reflected in the 2013/14 budget.

Members commented that whilst they welcomed the underspends, there was still a concern about some considerable overspends. It was noted that of those areas where there were projected overspends, careful monitoring and reviews were being undertaken protect against potential large overspends.

### **RESOLVED:**

That the following be noted:

1. The outturn position for the General Fund and Housing Revenue Account for the financial year 2011/12.
2. The net movement in General Fund Revenue Reserves of £200k, and the detailed movement in Earmarked Reserves shown in Appendix 4 of the report
3. The net movement in Housing Revenue Account Reserves and working balances.
4. The outturn position for the Council's capital programme for 2011-12 and how the expenditure was financed.
5. The carry forward of unfinished capital schemes from 2011-12 into the 2012-13 capital programme.
6. The HRA Capital project variation for Community Energy Savings Programme (CESP) of £1.5m.for 2012/2013.

## **7. ANNUAL GOVERNANCE STATEMENT 2011/12 CONSULTATION**

The Assistant Head of Finance submitted a report and explained that the Council were legally obliged to publish an Annual Governance Statement which would identify, and seek to eliminate, any specific governance issues. It was noted that once feedback had been collected from Management Board and Auditors, a report would be brought back with the

relevant information at the Audit Committee meeting of 24th September 2012. In response to a question, the Committee were informed that where there had been significant control weaknesses measure had been put in place and actions had been implemented to address any identified weaknesses.

The Chair thanked the officers for the comprehensive report.

**RESOLVED:**

1. That the draft Annual Governance Statement be considered;
2. That areas of concern for inclusion in the Statement be identified;
3. That Members review the draft Statement and identify if additional comment or content is required on the areas considered in the Statement.

**8. PERFORMANCE OUTTURN REPORT**

The Director of Resources submitted a report and informed the Committee of the Council's Performance Outturn for 2011 -12 which had been considered by Cabinet on the 11<sup>th</sup> July 2012.

It was commented by a Member of the Committee that there were a number of concerns with regards to the number of days lost to sickness and questioned whether the nature of the work being undertaken was a contributing factor whether it was stress- related.

The Head of Resources explained that there was concern across the board with regards to sickness. It was noted that a leaflet had been circulated to all staff members about counselling and that measure were being taken in managing absences. It was further explained that patterns of sickness were being examined and that a monthly monitoring analysis was being undertaken. A number of areas were identified as being of particular concern but it was explained that a number of improvements had been made and a regular performance report would be produced.

The Committee requested that the Head of Business Change attend the next Audit Committee meeting to update Members.

**RESOLVED:**

That the report be noted.

**9. FINANCIAL MONITORING REPORT**

The Head of Finance and Resources submitted a report and explained that it was very early in the financial year for any significant variances to be reported. With regards to the corporate debt figures for May to June it was noted that an increase in the outstanding debt could be attributed to a change from the IRAS to the Agresso system and that this will just show debt once the system transfer has been fully completed.

**RESOLVED:**

1. That the contents of the Finance Reports be considered:
  - General Fund Revenue (Appendix 1) of the report)
  - General Fund Capital (Appendix 2) of the report)

- HRA Revenue (Appendix 3) of the report)
  - HRA Capital (Appendix 4 of the report)
2. That the position on car parking income and usage as at 30<sup>th</sup> June 2012 (Appendix 5 of the report) be noted
  3. That the latest position in relation to the Council's outstanding debts as at 30<sup>th</sup> June 2012 (Appendix 6 of the report) be noted.

## **10. INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor submitted a report and it was noted that all outstanding work for 2011/12 had been completed. It was explained that an outturn statement for the current year had been undertaken. It was noted that the majority of work would be undertaken during quarters 3 and 4 of the year. A more detailed report would be brought to the next Audit Committee once further progress had been made.

### **RESOLVED:**

That the report be noted.

## **11. EXTERNAL AUDIT PROGRESS REPORT**

The External Auditor submitted a report and explained that there was limited information to report on since the previous Audit Committee on the 21<sup>st</sup> May 2012. With regards to the final accounts, the audit process was progressing well and officers had provided comprehensive information to the Auditors. It was explained that Heritage Assets would be included in the balance sheet of the statement of accounts to ensure that they were all accurately valued. In response to a question, it was explained that Natural Heritage sites would have some value in the Heritage Assets, but further work would be need to be undertaken.

The External Auditor updated the Committee on outsourcing the work of the Audit Practice and explained that the Audit Commission had put in place a number of arrangements to ensure a smooth transition.

The Director of Resources explained that the Council would be responding to a consultation on the draft bill of the future of the Local Public Auditors to express concern with regards to expense and lack of expertise. Future focus would be on the most prudent ways forward which could potentially see joining up with other local authorities.

### **RESOLVED:**

That the report be noted

The meeting concluded at 19.00