

# **NORTHAMPTON BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

**Monday, 27 June 2011**

**PRESENT:** Councillor Duncan (Chair); Councillors Beardsworth, Gowen and Patel  
**APOLOGIES:** Councillor Phil Larratt and Councillor Jonathan Nunn

### **1. MINUTES**

The Minutes of the meeting on 21 March 2011 were confirmed and signed by the Chair.

### **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. COMMITTEE TERMS OF REFERENCE-AUDIT PLAN 2011/12**

The Committee received a report from Bill Lewis, Head of Finance on the Committee Terms of Reference-Audit Plan 2011/12.

Discussion on the Terms of Reference took place around the following:

- Changes to the Terms of Reference due to changes in legislation, including changes in Statement of Accounts approval processes;
- The frequency of changes to the constitution being as and when necessary; and
- That depending on the size of change some would be dealt with by the Constitution Working Party and others internally.

Discussion on the Internal Audit Risk Assessment and Plan took place around the following:

- Assurances were given to the Committee that the plan was rigorous and robust;
- Content of the plan, including the Council's own knowledge and the control of the environment indicator;
- The indicative timetable and that some key areas of work had been highlighted;
- That training would be provided in certain areas to decrease risk such as fraud; and
- That the frequency of assessment in some areas needed to be reconsidered, such as Customer Services and IT.

### **It was therefore RESOLVED:**

1. That the Committee noted the Terms of Reference and responsibilities of the Committee; and
2. That the Committee were aware of the approved 2011/12 Internal Audit Risk Assessment and Plan.

## **6. IBS CREDITORS INTERNAL AUDIT REPORT**

The Committee received an update report from Christine Ansell, Head of Landlord Services regarding the IBS Creditors Internal Audit Report.

Discussion took place around the following:

- The internal audit review and the uncovering of issues with the use of the new Integrated Business Systems (IBS) software and the recommendations post the outcome of the review;
- That the software was not difficult to use but there was a lack of compliance with the controls of the system which had led to a backlog of invoices;
- The addition of the 'Open Mobile' feature to the system;
- That procedure notes were now in place and there were sample checks on the use of the system;
- Items 2 and 4 and that updates on leavers are currently being done monthly;
- That item 7 is in process with a deadline of July 2011 for the transfer to Agresso;
- That Item 8 has been completed and tested;
- That Item 9, limits to the cost of order raised, is still in progress due to not wanting to put limits on services with need such as the Contact Centre as this could delay important works; and
- That there is an additional area of the system that has not been purchased but this is currently being looked into.

**It was therefore RESOLVED:**

1. That the Committee note the progress on implementing the recommendations as set out in Appendix 1 of the report; and
2. That the Head of Landlord Services will bring an update report a future meeting of the Committee.

## **7. IFRS AND CHANGES TO THE ACCOUNTS AND AUDIT REGULATIONS 2003**

The Committee received a report and a presentation from Bill Lewis on the IFRS and Changes to the Accounts and Audit Regulations 2003.

Discussion took place around the following:

- The hierarchy of regulation and that UK regulation would be firstly considered. This would be followed by, the Code of Practice on Local Authority Accounting (CIPFA), containing largely international financial reporting standards. If any gaps occurred, the International Financial Reporting Standards (IFRS) or the Generally Accepted Accounting Principles (GAAP) would be used as a guide as they are currently for the Housing Revenue account;
- The role of the Audit and they are required to consider, review and approve the Audited Statement of Accounts in September and consider the annual audit letter; and
- Changes to the Statement of Accounts and the way that things are accounted for, such as staff holidays, time off in lieu and maternity leave. This was noted to have no affect on the Council but will initially have an affect on the accounts.

**It was therefore RESOLVED:**

1. That the contents of this report be noted; and

2. That the fact the Statement of Accounts is no longer being brought to Committee prior to 30 June and the commencement of the year-end audit be noted.

## **8. FUTURE OF LOCAL PUBLIC AUDIT - CONSULTATION**

The Committee received a report from Bill Lewis on the Future of Local Public Audit – Consultation.

Discussion took place around the following:

- That the consultation was brought about by the disbanding of the Audit Commission;
- The Pension Funds and how these are processed by Northamptonshire County Council (NCC) meaning the Council had to rely on them for accuracy and timings of the figures;
- Lord Sharman's report, 'Holding to Account: the Review of Audit and Accountability in Central Government' and how this Council may have to consider the appointment of Independent Members to the Audit Committee and examine the costs that this would incur;
- The extra work that would be created by the disbanding of the Audit Commission, particularly the burden on the Section 151 Officer; and
- The tendering process that would be required to deal with the appointment of external auditors. The Audit Committee would have a say in this process but the decision to appoint an external auditor would be down to the Section 151 Officer.

Members wished to thank the Officers for such a thorough and informative report.

### **It was therefore RESOLVED:**

To consider and approve a response to the Communities and Local Government consultation on the Future of Local Public Audit.

## **9. INTERNAL AUDIT ANNUAL OPINION REPORT**

The Committee received a report from Chris Dickens, Senior Manager at PricewaterhouseCoopers LLP (PwC) on the Internal Audit Annual Opinion Report.

Discussion took place around the following:

- Appendix 1 and how all recommendations from 2009/10 were closed and only 18 were outstanding from 2010/11, of which, none are overdue. This was noted to be a significant improvement on previous years;
- The conducted internal audit work and that areas of previous concern had seen significant improvements and were now well controlled;
- That the level of risk is average to lower than that of other authorities; and
- That the internal audit work completed in Housing Benefits had led to an improved service for the public and made a huge difference overall.

### **It was therefore RESOLVED:**

That the draft annual audit report for 2010/11 be noted.

## **10. EXTERNAL AUDIT UPDATE**

The Committee received a Report from Trevor Croote, Audit Commission, on the External Audit Update.

Discussion took place around the following:

- The overall Audit framework and responsibilities;
- The confirmation of fees and that there had been a reduction. This was due to the amount of reliance that the Audit Commission could put on the Statement of Accounts. It was noted that there were specific actions the Council could take to minimise its fees further;
- The specific risks that had been identified and were being looked at such as pay and grading settlements and the potential for back pay;
- That external audit would rely on the work of internal audit where possible and other auditors such as those of the Pension Fund at NCC;
- That last year there were two issues with the information received in regard of the Pension Fund in that it was late and insufficient;
- That the Audit Committee ensures the Councils financial resilience; and
- The robust procedure in place to ensure that Audit Commission has an annual declaration of interests and that any potential conflicts are strictly monitored.

**It was therefore RESOLVED:**

1. That the External Audit Opinion Plan (Appendix 1) be noted; and
2. That the External Audit fees be noted.

**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.

The meeting concluded at 7:30 pm