

STEVENAGE BOROUGH COUNCIL

**AUDIT COMMITTEE
MINUTES**

Date: Tuesday 16 March 2010

Time: 6.00 p.m.

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present: Councillors: R Raynor (Chair), J Gardner (Vice Chair),
B Clark, J Hollywell and M Notley.
Independent: B Mitchell

In Attendance: Councillor Mrs J Lloyd
Paul Winrow – Grant Thornton

Started: 6.00 p.m.
Ended: 7.41 p.m.

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence or declarations of interest.

2. MINUTES - AUDIT COMMITTEE - 14 DECEMBER 2010

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 14 December 2010 be approved as a correct record and be signed by the Chair.

3. INTERNATIONAL FINANCIAL REPORTING STANDARDS – TRAINING ISSUES

The Committee received a power point presentation by Paul Winrow of Grant Thornton, the Council's external auditors, (a copy of which was included in the agenda papers) on the introduction of International Financial Reporting Standards (IFRS).

Mr Winrow explained that the NHS had introduced this model of accounting and local authorities were required to present their first set of accounts produced under IFRS next year. Consequently a large part of Grant Thornton's work over the next year would be on assisting authorities in implementing IFRS.

Whilst the move to IFRS would mean many changes to the production of the accounts, particular significance would be seen in the accounting for leases, the valuation of assets and staff holiday pay accrual.

Mr Winrow accepted that the change over was likely to be resource intensive and that there were a number of issues that were yet to be resolved. Guidance continued to be issued but it was feasible that Councils might have queries that had not yet been addressed.

The Head of Finance indicated that she had appointed someone with IFRS experience, on a temporary basis.

She indicated that Member training was to be arranged for the Chairs of Audit Committee and Scrutiny Overview Committee and the Portfolio Holder for Resources. This would then be rolled-out to other Members as required.

Members expressed concern that there may be some issues that have not been resolved by time the Statement of Accounts was due. Mr Winrow indicated that issues should be raised with Grant Thornton to find a solution subsequent guidance then changed.

It was **RESOLVED** that the Committee's thanks to Paul Winrow (Grant Thornton) be recorded and the presentation be noted.

4. EXTERNAL AUDITORS' GRANTS REPORT 2008-2009

The Committee received a report from Grant Thornton, the Council's External Auditors, concerning the external audit certification in 2008-2009 of the six grant claims and returns from government departments and other bodies.

Paul Winrow of Grant Thornton stated that there had been no major issues raised and the one delayed claim, the Housing Revenue Account Subsidy, had been caused by a fault with the electronic submission system at the Department of Communities and Local Government.

It was **RESOLVED** that the report be noted.

5. ANNUAL AUDIT FEE 2010/2011

The Committee received a letter from Grant Thornton, the Council's External Auditors concerning the Annual Audit Fee 2010/11.

Paul Winrow (Grant Thornton) informed the Committee that the increased fee for the next financial year related to the additional work due to the introduction of the International Financial Reporting Standards. Members were of the view that given the reason for the increase, they hoped that there would be a reduction in the following year.

It was **RESOLVED** that the contents of the letter be noted.

6. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report on the progress made against the 2009/10 Internal Audit Plan and proposed amendments to that Audit Plan.

The Chief Internal Auditor stated that currently 82% of the Audit Plan had been achieved and his office was on course to achieve 95% by the end of the year, as predicted at the last meeting.

Concerning the audits that had over-run, the Chief Internal Auditor stated that the Car Parking report would be passed to the Chair the next day; the Building Control report was currently in draft; and whilst the work on the cash and payments audit had over-run, the time it had taken was less than in previous years.

It was noted that the Car Parking report did have a large number of recommendations that included significant issues to be addressed. Once the report had been made available to the Chair, consideration would be given as to how the report should be processed in terms of its distribution to Members and consideration by the Committee.

The Chief Internal Auditor explained the changes to the Plan that had been proposed and referred the Committee to the high priority recommendations detailed in Appendix B. He also explained the reasons for any delays in implementation.

It was noted that paragraph 4.8 of the report should make reference to Appendix B not 'Appendix A' as quoted.

It was **RESOLVED** that the Internal Audit quarterly report as at 3 March 2010 be noted and the amendments to the Audit Plan be approved.

7. 2010-11 INTERNAL AUDIT PLAN

The Committee considered a report setting out the draft 2010/11 Internal Audit Plan for approval.

The Chief Internal Auditor introduced the report. He explained that audits had been selected based on a high risk methodology and this, together with the anticipated clearance of the historic backlog, had resulted in less audit days required than in previous years. He stated that audits involving complex IT systems would need external expertise to deal with them. The Plan would be continually monitored and reports submitted to the Committee on a regular basis.

In response to Members' questions the Chief Internal Auditor stated that as Stevenage Homes Limited (SHL) had appointed an external Audit Provider the extent of work for SHL within the Plan was reduced. He explained that his staff would be considering different matters to those reviewed by SHL's

externalised Internal Auditors. Also, with regards to the current vacancy in the Audit section, the Chief Internal Auditor stated that he did not think it was necessary to appoint to this post in order to deliver the proposed Plan, but this matter was being reviewed.

It was **RESOLVED** that the 2010/11 Internal Audit Plan be approved

8. TREASURY MANAGEMENT STRATEGY

The Committee considered a report that set out the decisions of Council on 24 February 2010 regarding a revised Treasury Management code of Practice 2009, the Treasury Management Strategy and the Prudential Indicators and provided an update on the changes to the Treasury Management Strategy as a result of changes to the CIPFA code of practice and guidance from the Treasury.

The Committee was aware that this matter had already been considered by Members at both the Executive and Council.

The Head of Finance stated that whilst the Chair and Portfolio Holder for Resources had received training on Treasury Management it was considered that this was particularly important for members of the Audit Committee as it was this body that was to be responsible for scrutinising the Council's work in this area. It was considered that any training should also include the methods of scoring institutions, implications of borrowing and other vehicles for investment.

The Committee considered the idea of benchmarking performance and after some debate, whilst the view was expressed that this might be worth investigating it was considered that the possibility of benchmarking with other authorities might prove difficult as the size of portfolios differed, different systems could be used and there could be big variations simply as a result of placing funds on a different day. It was also unclear what indicators should be compared.

The Head of Finance stated that the Council's investment strategy was to a great extent risk averse and we had not diversified into other vehicles of investment e.g. property.

It was **RESOLVED**:

1. That the revised Treasury Management Code of Practice 2009, as shown at Appendix A to the report, be noted.
2. That the 2010/11 Treasury Management Strategy, as detailed in Appendix B to the report, be noted.
3. That the Prudential Code Indicators, as detailed in Appendix B, attachment 6, be noted.

4. That proposals for targeted training for Members on Treasury Management be noted.

9. CORPORATE GOVERNANCE ARRANGEMENTS

The Committee considered a report that provided an update on the progress made against actions agreed for 2009/2010 to enhance the Council's corporate governance arrangements and the impact on the Council's self assessment of corporate governance principles.

The Head of Finance introduced the report and the Chair referred Members to the Appendix that detailed the actions required to put the principles of the Corporate Governance Framework into practice. Particular attention was given to those scores that had either increased or decreased.

With reference to Page 4 of the Appendix, Members were concerned that a score of only '7' had been given to measuring value for money in relation to partnership working. The Head of Finance stated that officers may have been a little self-critical in this area as there was the anticipation that the specific actions to be undertaken would improve upon the current arrangements.

Regarding mechanisms for monitoring service delivery (Page 8 of the Appendix), the Head of Finance explained that whilst all Units had Service Plans, work was being undertaken for further improvement with this process becoming core to service monitoring, budget planning and risk management. Members were of the view that there was a need for Service Plans to also be realistic in the ambitions quoted and targets set.

It had been suggested that Corporate Governance was a further area that might benefit from benchmarking, although the Committee accepted that it would be necessary to judge the potential benefits against the resources needed to undertake this work.

It was **RESOLVED** that the progress made against the actions identified in 2009/10 to enhance the Council's corporate governance arrangements be noted together with the impact on the Council's self assessment of corporate governance principles as set out in the updated self assessment and action plan at Appendix A to the report.

10. DATA QUALITY ACTION PLAN PROGRESS REPORT

The Committee considered a report that advised on progress made against the actions set out in the data Quality Action Plan.

The Head of Customer Services & Business Improvement introduced the report and explained that there were now only two actions that remained to be completed on the current action plan.

The Committee were of the view that the Council had made great progress in this area and as, at the current time, the robustness of the data quality collection was satisfactory, the recommendation to receive a report just once a year was acceptable.

It was **RESOLVED:**

1. That the progress made against the actions set out in the Data Quality Action Plan be noted.
2. That the revised officer monitoring arrangements from monthly to quarterly on progress against the Data Quality Action Plan with annual reporting to the Audit Committee be endorsed.

11. EXCLUSION OF THE PRESS AND PUBLIC

1. That under Section 100 (A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs 1-7 of Part I of Schedule 12A of the Act, as amended by SI 2006 No.88.
2. That having considered the reasons for the following report being in Part II it be determined that maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.
3. That notwithstanding resolution 1 above, Paul Winrow from Grant Thornton, the Council's External Auditors, be allowed to remain in the meeting for the Committee's consideration of the Part II item

12. URGENT PART I BUSINESS

As this item had appeared erroneously out of order on the agenda it was taken before item 11.

The Head of Finance reported that a work-plan for the Committee for the next Municipal Year had now been drafted and would e.mailed to Members.

PART II

13. STRATEGIC RISK REGISTER QUARTER 3 2009/10

The Committee considered a report on the latest Strategic Risk Register for Stevenage Borough Council and developments in the risk management arrangements.

It was **RESOLVED**:

1. That the Quarter 3 2009/10 Strategic Risk Register, as appended to the report, be noted.
2. That progress in developing the Council's risk management arrangements be noted.
3. That the new and emerging risks, as detailed within sections 4.1 and 4.2 below, be noted.

14. URGENT PART II BUSINESS

None

Chair