

**AUDIT COMMITTEE
MINUTES**

Date: Monday 7 March 2011

Time: 6.00 p.m.

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present: Councillors: L Chester (Chair), P Bibby CC, D Cullen,
B Jackson and R Parker CC.
Independent: B Mitchell

In Attendance: Councillor Mrs J Lloyd
Phil Westerman (Grant Thornton)
Nick Taylor (Grant Thornton)

Started: 6.00 p.m.

Ended: 8.05 p.m.

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies or declarations of interest.

The Chair informed the meeting that item 9 'Group Accounts' would be dealt with after item 4 on the agenda.

2. MINUTES – SPECIAL AUDIT COMMITTEE – 17 FEBRUARY 2011

It was **RESOLVED** that the Minutes of the meeting of the Special Audit Committee held on 17 February 2011 be approved as a correct record and signed by the Chair.

3. EXTERNAL AUDIT PLAN (2010/11)

Phil Westerman from the Council's External Auditors Grant Thornton presented the External Audit Plan for 2010/2011 for Stevenage Borough Council.

The Committee was advised of the work that Grant Thornton intended to undertake in relation to the audit of the 2010/11 accounts at the Council, the methodology to be used, the expected outputs, the level of fees to be charged and the personnel involved.

Concerns were expressed over the level of the Audit fee and the increase of 9% over the previous year. In reply to a question it was confirmed that the fee was based on a formula applied to the Council's gross expenditure, a figure supplied by the Head of Finance.

In reply to a further question it was confirmed that the Council's budget reflected the increase in Audit charges.

Phil Westerman undertook to determine if the transfer of the Concessionary Fares Scheme to the County Council had been taken into account in the setting of the fee, or if the consolidation of the Stevenage Homes Limited accounts would have an impact.

The Committee was advised the early indications of the 2011/2012 fee suggested that it would be in the region of £140,000.

It was **RESOLVED** that the External Audit Plan 2010/2011 be noted.

4. EXTERNAL CERTIFICATION WORK REPORT (2009/2010)

Nick Taylor from the Council's External Auditors Grant Thornton presented the External Certification Work Report (2009/2010).

The Committee was advised that for the financial year 2009/10 the External Auditors had certified seven claims and returns for the Council which amounted to £60,663,825. It was observed that just one error had been identified in the sample of council tax benefit cases reviewed which was commended given that there had been a change in benefits procedures during the review period.

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

A Member requested that in future the agenda the action required by the Committee with regard to reports from the External Auditors.

5. DATA QUALITY ACTION PLAN

The Performance and Improvement Manager presented a report to advise Members of progress made over the last year against the actions set out in the Data Quality Action Plan 2010/11 and of the process for ongoing monitoring of data quality.

The Committee was advised that the recommended actions from the audits of 2006/07, 2007/08 and 2009/10 had been completed.

In reply to a question concerning the ability of the Council to collate accurate data as a result of budget efficiencies the Committee was advised that the Balanced Scorecard review would ensure that there would be no additional risk to the quality of data collected. Reviews of the Balanced Scorecard by Heads of Service, Directors and SMB would serve as an early warning process of failures and ensure that mitigating actions were put in place. The Balanced Scorecard would also be monitored quarterly through the Audit Committee.

In reply to a question the Committee was advised that failure against National Indicator 157a was due to a calculation error rather than a failure of the process. The Chief Internal Auditor undertook to prepare a report for the next meeting detailing the actions to be taken to ensure robust reporting in future.

It was **RESOLVED:**

1. That progress made against the actions set out in the Data Quality Action Plan 2010/2011 be noted.
2. That the revised arrangements for officer monitoring of data quality be supported.

6. INTERNAL AUDIT PROGRESS REPORT

The Chief Internal Auditor presented a report on the progress made against the 2010/11 Internal Audit Plan and advised the Committee that with 88% of the Audit Plan having been delivered as at 28 February 2011 the service was on target to exceed its target of 95% delivery of the plan by 31 March 2011.

The Committee was further advised that Hertfordshire County Council and Deloitte would be used as external internal audit providers. The County Council would lead on the Internal IT review.

It was highlighted that significant progress had been made with the Car Parks Audit.

In reply to a question the Chief Internal Auditor undertook to present a report on the Audit of the Administration of the Members' Allowances to the Committee once the report had been finalised.

It was agreed in principal that responsible officers appear before the Committee should the implementation of high priority recommendations overrun their agreed implementation date. It was proposed that an appearance be scheduled before the Committee should the overrun exceed six months.

It was **RESOLVED:**

1. That the Internal Audit quarterly report as at 28 February 2011 (forecast) be noted.
2. That the amendments to the Audit Plan be approved.

7. 2011/12 INTERNAL AUDIT PLAN

The Chief Internal Auditor presented a report requesting that the Audit Committee approve the 2011/12 Internal Audit Plan.

The Committee was advised that the model for the delivery of the plan might change dependant on the outcome of the proposal to implement a shared service review for Internal Audit.

The Committee was further advised that as a result of the proposed transfer of some assurance work to management fewer audit days would be required than in previous years. In reply to a question it was confirmed that the plan would require 75 fewer audit days than in 2010/11.

In reply to a further question concerning the resilience of the plan it was confirmed that an element of contingency had been built into the plan.

It was **RESOLVED** that the 2011/12 Internal Audit Plan be approved.

8. DATA PROTECTION AND COMPLIANCE

The Head of Customer Services and Business Improvement presented a report to update the Committee on the Council's current arrangements for fulfilling its responsibilities under the Data Protection Act.

The Committee was advised that activities were concentrated in two areas: staff training and I.T. security.

The Committee requested that the Borough Solicitor lead on informing all Council Members, as a matter of urgency, should a security breach, such as the loss of confidential data, occur.

In reply to a question concerning the use of memory sticks the Committee was advised of the following:

- that the IT equipment in the public meeting rooms carried a higher level of security than equipment in offices,
- encryption would prevent the use of unauthorised memory sticks and
- access to Council systems for home workers should eliminate the need for memory sticks to be used.

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

9. GROUP ACCOUNTS

This item was dealt with after item 4.

The Head of Finance presented a report to update the Committee on proposals to publish a single entity Statement of Accounts for 2010/11.

In reply to a question it was confirmed that the External Auditors were in accord with this proposal.

It was **RESOLVED** that the proposed changes to the Statement of Accounts for 2010/11 be approved.

10. CORPORATE GOVERNANCE ARRANGEMENTS

The Performance and Improvement Manager presented a report to advise the Committee on the Council's self assessment process and to update the Committee on progress made against actions identified for delivery in 2010/11 and actions planned for 2011/12.

In reply to a question the Committee was advised that the complaints handling process was subject to a major review, as yet to be fully resourced. The Council wished to align the process with that in place at SHL and to integrate complaints handling with a CRM system.

It was **RESOLVED**:

1. That the Council's self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework, as set out in Appendix A to the report, be noted.
2. That the progress made against actions identified for delivery in 2010/11, and actions planned for 2011/12 to enhance the Council's corporate governance arrangements, as identified in Appendix A, be noted.

11. INTERNAL AUDIT SERVICE REPORT

The Head of Finance presented a report to advise the Committee of proposals for the delivery of Internal Audit through a shared service with Hertfordshire County Council and other Hertfordshire authorities.

The Committee was advised:

- That there were no skilled IT auditors working for the Council
- That a shared service would provide more resilience and a more comprehensive skills mix
- That a consultation exercise with staff was due to begin in week commencing 21 March 2011
- That there would be no change in the level of support available to the Audit Committee.

In reply to a question the Committee was advised that, after an initial set-up cost, savings in the region of £50,000 p.a. were expected.

In reply to a further question the Committee was advised that a bigger team, and a structured process of sharing best practice, would mitigate the overruns currently experienced on many internal audit investigations.

It was **RESOLVED** that the report be noted and the following comments be made to the Executive:

- The Audit Committee supports the delivery of Internal Audit through a shared service with Hertfordshire County Council and other Hertfordshire authorities.
- The Audit Committee notes that the quality of service of Internal Audit Services has improved over the past couple of years and would wish to see the current level of service maintained, if not improved further.
- Risks needed to be identified together with mitigation, where possible, to address these issues.

12. URGENT PART 1 BUSINESS

None

13. EXCLUSION OF THE PRESS AND PUBLIC

It was **RESOLVED**:

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.

PART II

14. STRATEGIC RISK REGISTER QUARTER 3 2010/11

It was **RESOLVED** that the Quarter 3 2010/11 Strategic Risk Register be noted.

15. URGENT PART II BUSINESS

None.

Chair