

STEVENAGE BOROUGH COUNCIL

Audit Committee Minutes

Date: 27th September 2007

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present: Members: Councillors, J.R. Raynor (Chair), J. Gardner (Vice-Chair), H. Burrell, J. Hollywell and M. Mason. Independent Member: Mr. B. Mitchell.

In attendance: Councillor Mrs. J.E. Lloyd, Penny Irwin, Debbie Hansen, Leena Baines – Audit Commission

Start Time: 6.00pm

End Time: 8.40pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence and no declarations of interest.

The Chair thanked the Audit Commission for their recent training session for Members. He suggested that in order to ensure some continuity for the Committee it would be useful if Members could remain on the Committee for the next Municipal Year.

2 MINUTES – Tuesday, 26th June 2007

The minutes of the meeting of the Audit Committee held on Tuesday, 26th June 2007, having been circulated, were taken as read and it was RESOLVED that they be signed as a correct record.

3. AUDIT COMMISSION – ANNUAL GOVERNANCE REPORT

The Audit Commission submitted a report detailing the review of the Council's financial statements and whether proper arrangements had been made by the Council to secure economy, efficiency and effectiveness in its use of resources.

The Committee was advised that the financial statements had been revised to reflect a number of errors identified by audit. Officers stated that one of the adjusted misstatements related to housing stock and a change of the vacant possession factor used. Following advice by external valuers, the Council had been using the rate for the South East England region rather than the Eastern region. This had resulted in an increase of £11,217,000 in the fixed asset restatement account.

The Audit Commission reported two unadjusted misstatements to the Committee which related to investment valuation and investment accrual. Following an explanation by officers, the Committee agreed that the financial

statements should not be amended and in accordance with ISA (UK&I) 260, the representation letter be extended accordingly.

The Audit Commission highlighted concerns relating to the quality of working papers provided, capital accounting arrangements and together with concerns about the completeness and accuracy of the fixed asset register.

It was noted that the Council had already engaged a capital specialist to review the capital accounting issues identified by the Audit Commission to ensure that systems and processes were improved for the 2007/08 accounts.

It was proposed that an unqualified audit opinion would be issued by the Commission on the Accounts and should any further matters arise in concluding the outstanding work, they would be raised with the Chair of the Audit Committee. Members were also pleased to note that the Audit Commission proposed issuing an unqualified conclusion on the use of resources.

The Audit Commission thanked the Council officers for their positive and constructive response to the audit and for their assistance and co-operation.

Following further discussion, it was RESOLVED:-

- (i) that the Annual Governance Report for 2006/07 be approved;
- (ii) that the representation letter be extended to state that the unadjusted misstatements should remain in respect of investment valuation and investment accruals; and
- (iii) that officers report back to the Committee with assurances on what is being done to improve the areas of working papers, capital arrangements and also arrangements for creditors

4. APPROVAL OF AMENDED STATEMENT OF ACCOUNTS 2006/07

The Head of Finance submitted a report including the amended 2006/07 Statement of Accounts.

Officers outlined for Members the material changes to the Statement of Accounts since the draft accounts were approved. These changes reflect all the amendments agreed with the Auditors.

It was RESOLVED that the amended 2006/07 Statement of Accounts be approved.

5. INTERNAL AUDIT REPORT:- Main Accounting Creditors Council Tax

The Audit Manager submitted a report, providing Members with internal audit assurance in relation to Main Accounting, Creditors and Council Tax.

Main Accounting

In relation to main accounting, it was identified that key systems of control were in place and were complied with. However, several weaknesses were

identified which related to journals, virements and petty cash systems which could place some systems objectives at risk.

Several recommendations had been made and agreed with the officers responsible and a Management Action Plan had now been put in place.

Creditors and VAT 2006/07

Members noted that key systems of control were in place with regard to Creditors and VAT Audit. However, some weaknesses had been identified relating to a prolong invoice handling process, inadequate review of age creditors and its potential impact on BVPI 8 and unresolved pre Integra items that could place some systems objectives at risk.

Several recommendations had been made and agreed with the officers responsible and a Management Action plan had now been put in place.

Council Tax

In relation to Council Tax, a request was made at the last Audit Committee meeting that Internal Audit and Revenue offices investigate the way forward regarding the login requirements in relation to the Pericles Benefit and Revenue System.

Officers advised that some processes had been put in place now but that further investigations and re-testing would be undertaken to ensure the requirements of Internal Audit were met.

It was RESOLVED:-

- (i) that the Internal Audit reports and completed Management Action Plans be noted;
- (ii) that a further report be submitted to the January meeting of the Committee relating to the progress made on producing a process map for Accountancy and also the implementation date for the business continuity arrangements being put in place at Q3 building for both accountancy and creditors.

6. INTERNAL AUDIT REPORT – BUS PASS ADMINISTRATION

The Head of Finance submitted a report advising the Committee of a control weakness highlighted by Internal Audit with regard to the processes for issuing bus passes and the corrective action already taken.

Members were pleased to note that corrective action had already been taken to reinstate the necessary controls. Officers also advised that relevant managers had been requested to conduct a review of all of the Services that had been transferred to the Customer Services Centre (CSC) and produce a summary for Internal Audit to consider any potential risk that might exist in relation to other services transferred.

It was RESOLVED:-

- (i) that the Internal Audit Report and action taken be noted; and
- (ii) that a summary of the Services that had been transferred to the Customer Services Centre be presented to the next meeting of the Committee.

7. QUARTERLY REPORT ON INTERNAL AUDIT PROGRESS

The Head of Finance tabled information relating to the Internal Audit 2007/08, Audit Plan – Quarter 2 progress update, and a summary of audits completed and recommendations made.

Members expressed concern regarding the number of recommendations made following the audit of Housing Rents and requested assurance that satisfactory controls were in place in this area.

It was RESOLVED:-

- (i) That the quarter 2 progress update for the Internal Audit 2007/08 Audit Plan and the summary of audits completed be noted.
- (ii) That a report on the Housing Rents Audit be submitted to the next meeting of this Committee.

8. ANTI-FRAUD TEAM – ANNUAL REPORT AND PERFORMANCE REVIEW

The Anti-Fraud Partnership Manager submitted a report which summarised the Anti-Fraud Team's performance during the financial year 2006/07, the Team's contribution to the Council's Statement of Internal Control and its work on the National Fraud Initiative (NFI).

The Committee noted the Team's four main objectives:

- to prevent instances of fraud, corruption and theft committed against Stevenage Borough Council
- to detect and investigate those acts of fraud, corruption and theft by members of the public, contractors and employees
- to prosecute or take further sanctions against individuals who have performed the acts
- development of the Anti-Fraud Service Partnership with Hertsmere Borough Council.

Members were advised of the Team's structure, how fraud awareness had been conducted and the work of the National Fraud Initiative (NFI).

Following a question from a Member, it was suggested that information relating to comparative data on issues such as referrals, overpayments and recoveries from previous years be brought before the Committee at a future meeting.

It was RESOLVED:

- (i) That the performance of the Anti-Fraud Team be noted.

- (ii) That a report be brought back to a future meeting of the Committee relating to the comparative data detailed above.

9. STRATEGIC RISK REGISTER

The Finance Projects Officer submitted the latest Strategic Risk Register for Stevenage Borough Council. Members were also advised on the progress of the current review and development of the risk management arrangements within the Council.

Officers advised that they were currently working on a programme of consultancy with the Council's insurers Zurich Municipal. The programme would cover the following areas:-

- Risk Management 'Healthcheck' – involving a review of documentation and interviews with key Heads of Services.
- Training for Service Heads and other designated managers.
- Partnership working

Officers agreed to ensure that the Register was up to date for the next meeting particularly with regard to the information from Stevenage Homes Limited.

It was RESOLVED:

- (iii) That the latest Strategic Risk Register for Stevenage Borough Council be noted.
- (iv) That the current review and development of the risk management arrangements within the Council be noted.

10. INTERIM REVIEW OF STATEMENT OF INTERNAL CONTROL (SIC) 2007/08

The Head of Finance presented the Statement of Internal Control (SIC) to the Committee for interim review during 2007/08. Officers updated the Committee regarding progress against the 2006/07 Action Plan.

Following the comments made by the Audit Commission on the Council's Capital Accounting Arrangements and improvements required to year end working papers, it was suggested that a further update on the Action Plan be brought back to the next meeting of the Committee.

It was RESOLVED:-

- (i) That the interim review of the 2007/08 Statement of Internal Control be noted.

- (ii) That officers submit a further update on the Action Plan for future improvements to enhance Internal Controls to the next meeting of this Committee.

13. URGENT PART 1 BUSINESS

None.

14. EXCLUSION OF PRESS AND PUBLIC

None

15. URGENT PART II BUSINESS

None.

CHAIR