

STEVENAGE BOROUGH COUNCIL**Audit Committee Minutes****Date: 26th June 2007****Time: 6.00pm****Place: Shimkent Room, Daneshill House, Danestrete, Stevenage**

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

In attendance: Penny Irwin, Debbie Hansen, Leena Baines – Audit Commission

Start Time: 6.00pm

End Time: 7.50pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

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

2 MINUTES - Wednesday, 16th January 2007

The minutes of the meeting of the Audit Committee held on 16th January 2007, having been circulated, were taken as read and it was RESOLVED that they be signed as a correct record.

3. TERMS OF REFERENCE

The Terms of Reference for the Audit Committee were noted.

The Head of Finance advised the Committee of the training sessions for Members which had been held over the last 12 months. Following discussion and in the light of new Members having been appointed to the Committee, it was agreed that officers investigate the possibility of holding further training sessions with the Audit Commission before the next meeting of the Committee.

4. AUDIT COMMISSION'S ANNUAL AUDIT AND INSPECTION LETTER 2005/06

The Head of Finance submitted a report advising Members on the annual Audit Commission's Audit and Inspection Letter 2005/06. Debbie Hansen from the Audit Commission also gave an introduction to the report from the Commission's perspective.

The letter was an annual requirement for the Audit Commission to report on the Council's financial, legal and management arrangements.

Members were pleased to note that the Audit and Inspection Letter was agreed by both the Audit Commission and Council Leaders to be positive.

Officers summarised the main findings and comments for Members:-

- the Council had made improvements in key priority services and overall performance.
- The Council provided strong community leadership and a commitment to partnership working to deliver community outcomes. Links with, and better understanding of, ethnic minorities were developing.
- There was a growing culture of value for money within the Council. Comparative performance in terms of costs had improved over the last three years.
- The quality of working papers supporting the accounts had improved although there was scope for further improvement.

Officers also summarised the actions identified by the Audit Commission for the Council:-

- The Council must ensure a consistent level of performance and improvement in services, in particular public facing services.
- The Council should continue to develop consideration of value for money.
- The Council should continue to improve quality of working papers particularly in relation to capital accounts.

Members were pleased to note that the appointed Auditor had provided an unqualified opinion on the accounts.

Members congratulated officers on the work which had resulted in an increase in the Council's overall Use of Resources Assessment from a score of 2 to a score of 3 – “consistently above the minimum requirements – performing well”.

It was RESOLVED that the Audit Commission's Audit and Inspection Letter 2005/06 be noted.

5. USE OF RESOURCES ASSESSMENT - CPA

The Strategic Director (Chief Finance Officer) and Debbie Hansen from the Audit Commission updated Members on the Council's "Use of Resources" score for 2006.

The assessment focused on the importance of having sound and strategic financial management and covered five themes:-

- financial reporting
- financial management
- financial standing

- internal control
- value for money

Officers were pleased to report that the Council had secured a Level 3 score for 2006 and advised that plans for this year's assessment were built around an approach, which would consolidate the Council's position in order to secure Level 3 for 2007.

In response to a question, the Head of Finance advised that it was a major aim of the service to improve the score relating to the comprehensiveness of the working papers, which supported the production of the annual accounts.

Members congratulated the officers for their part in achieving the Level 3 score for 2006.

It was RESOLVED that the Audit Commissions 'Use of Resources' 2006 score of Level 3, which is defined as 'consistently above minimum requirements – performing well' be noted:-

6. AUDIT COMMISSION'S AUDIT PLAN 2007/08

The Head of Finance and Penny Irwin from the Audit Commission submitted a report advising Members on the Audit Commission's Annual Audit Plan for 2007/08.

The Plan covered:-

- CPA and Inspections
- Work under the Code of Audit Practice
- Assessing Risk
- Work specified by the Audit Commission including Government Accounts and National Fraud Initiative
- Voluntary Improvement Work
- Certification of Grant Claims and Returns

The report also set out the Audit Commission's fee scale structure. Members were concerned to note the above inflation increase in the fees between 2006/07 and 2007/08 particularly in the light of the Council's improved Use of Resources Score.

The Strategic Director (Chief Finance Officer) advised that the Hertfordshire Chief Financial Officers would be meeting with the Audit Commission Relationship Managers to request an explanation.

It was RESOLVED that the Audit Commission's Annual Audit Plan for 2007/08 be noted and that the concerns of Members regarding the increase in Audit Commission fees for 2007/08 be notified to the Audit Commission.

7. ANNUAL INTERNAL AUDIT REPORT 2006/07

The Deputy Audit Manager presented a report detailing work completed by Internal Audit during 2006/07 and which provided an audit opinion on the Council's internal control environment for 2006/07.

The Head of Finance advised Members of the new partnership arrangements for the Audit Service, with North Herts District Council following Simon Martin's (Audit Partnership Manager) departure.

The Deputy Audit Manager gave details of the internal audits that had been carried out during 2006/07 and also the planned audits which had not been carried out due to staffing issues and priority referrals.

In terms of the Annual Audit Opinion, more than 84% of recommendations arising from 2006/07 audits were assessed as being of medium or low significance, which meant that key controls largely existed within the Council, although there could be some inconsistency with compliance.

Members were pleased to note, therefore, that the Internal Audit opinion for 2006/07 was that risks identified by Internal Audit were largely adequately controlled. There were however four areas where risk was not always well controlled.

These four areas included two within Stevenage Homes Ltd (SHL) and internally, Car Loans and Car Park Revenue. The last two areas had, however, recently been reported to meetings of the Audit Committee to agree Management Action Plans.

It was RESOLVED that the internal audit coverage and the internal audit opinion for 2006/07 be noted.

8. REVIEW OF THE ADEQUACY OF INTERNAL AUDIT 2006/07

The Head of Finance submitted a report reviewing the adequacy of the Council's Internal Audit Service. The review was based on the (CIPFA) Code of Practice for Internal Audit checklist.

Officers and Members agreed that the overall effectiveness of the Internal Audit system had been significantly enhanced during 2006/07 with the formation of the Audit Committee, particularly with the reviews of the specific service audit reports that has added to the potential effectiveness of these reports.

It was noted that the Audit Commission's Draft Review of Internal Audit Management Arrangements indicated that the arrangements broadly met the required CIPFA standards although there were areas where further improvements could be made.

The Audit Commission also advised that a draft protocol between Internal and External Audit was currently in the process of being formed and would be completed once the new staffing structure for the service was in place.

It was RESOLVED that the Internal Audit Service in Stevenage be judged to be effective.

9. REVIEW OF STATEMENT OF INTERNAL CONTROL (SIC) 2006/07

The Head of Finance presented the 2006/07 Statement of Internal Control (SIC) before its inclusion in the Statement of Accounts. The Statement of Internal Control (SIC) explained the background to the overall control environment within the Council, reviewed the effectiveness of the controls that operated during the 2006/07 financial year and recommended areas of improvement for further strengthening the overall control.

Officers advised that the SIC had been expanded during the previous year and included an action plan for future improvements to enhance internal controls.

Members were pleased to receive the report and were satisfied that the document was of use both internally to officers and also externally to Members and other interested parties. Members expressed their thanks to the officers for a thoroughly comprehensive report.

It was RESOLVED that the 2006/07 Statement of Internal Control be noted and the comments from the Committee be presented to the Statement of Accounts Committee at its meeting on 28th June 2007.

10. STATEMENT OF ACCOUNTS AND CAPITAL CONTROL SYSTEM DETERMINATIONS 2006/07

The Head of Finance presented the 2006/07 Statement of Accounts for review before submission to the Statement of Accounts Committee for approval.

The Head of Finance advised that the accounts incorporated significant changes in the format of reporting from last years accounts. Changes also incorporated the establishment of Stevenage Homes Limited (SHL) on 1st October 2006 to manage and maintain the Council's Housing stock on behalf of the Council. The requirement for SHL's Company Accounts to be grouped with those of the Council for financial reporting purposes was also noted. Members noted that the accounts were currently subject to audit and the Statement could still be subject to amendment before publication if requested by the Audit Commission.

Officers reported the 2006/07 outturn that included a HRA underspend of £405k and a General Fund under spend of £289k. The HRA underspend related to Management General and Special Expenses. The General Fund reflected sums in respect of projects which by their nature were difficult to phase into each individual financial year, such as the Local Development Framework, West of Stevenage and Local Area Committees.

Following concerns expressed by Members regarding the Area Committee budgets the Head of Finance advised that due to the nature of the funding for Area Committee schemes, slippage could occur resulting in requests to carry

forward the resulting underspent budgets into the following financial year. The Executive would shortly be considering a report proposing delegated authority to the Strategic Director (Chief Finance Officer) to approve supplementary estimates where they relate to expenditure that would have been funded by carry forwards.

The Audit Committee were content with the Statement of Accounts as presented, subject to Audit, and RESOLVED that they should be presented to the Statement of Accounts Committee at its meeting on 28th June 2007, for approval together with the Audit Committee's comments.

11. INTERNAL AUDIT UPDATE – QUARTER 1 2007/08

The Deputy Audit Manager presented a report giving an update on internal audit activity during the first quarter of 2007/08.

Quarter one of the year had been occupied with audits of the Council's key financial systems including payroll, business rates, council tax, housing rents, main accounting, creditors, cash and housing benefits.

It was RESOLVED:-

- i) That the internal audit update quarter 1 2007/08 be noted.
- ii) That internal audit reports on Creditors and Main Accounting be brought back to the next meeting of this Committee.

12. INTERNAL AUDIT REPORT – COUNCIL TAX

The Deputy Audit Manager submitted a report providing internal audit assurance in relation to Council Tax.

Members were advised that many key systems were in place and complied with. There were, however, two areas of high risk relating to Council Tax refunds and Pericles security.

Members expressed concern regarding the high risk issues, and requested that officers look at how these issues could be resolved particularly in respect of the Pericles security system.

It was RESOLVED:-

- i) That the internal audit report and completed management action plan be noted.
- ii) That officers be instructed to investigate the way forward regarding the login requirements relating to the Pericles Benefit and Revenue System.

13. URGENT PART 1 BUSINESS

None.

14. EXCLUSION OF PRESS AND PUBLIC

None

15. URGENT PART II BUSINESS

None.