

**AUDIT COMMITTEE
MINUTES**

Date: Monday 14 December 2009

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 (from 6.15 p.m.)
Independent: B Mitchell

In Attendance: Councillor Mrs J Lloyd

Start/End Time: Start Time: 6.00 p.m.
End Time: 7.40 p.m.

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence or declarations of interest.

2 MINUTES - AUDIT COMMITTEE - 22 SEPTEMBER 2009

The Chair reported that he had agreed that the requested report on the Members' Allowances Scheme (referred to under Minute No. 2) would be submitted to the June 2010 meeting of the Committee, after the new system of recording expenses had been in operation for at least six months.

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 22 September 2009 be approved as correct record and be signed by the Chair.

3 INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report that detailed progress made against the 2009/2010 Internal Audit Plan and sought approval to amendments to the Plan.

The Chief Internal Auditor explained that given the performance to date and with external service providers appointed to deliver a percentage of the plan, it was anticipated that 95% of the total Audit Plan could be delivered by 31st March 2010. He stated that the non delivery of 5% of the Plan equates to approximately 30 audit days, which may mean that the majority of the remaining 34 days in contingency may not be available should they be required.

Concerning specific audits, the work on Car Parking and Building Control were both over running and had already exceeded their budget allocation by 300% and 400% respectively. Concerning the Car Parking audit it had not been possible to bring a report forward at this time as there had been over 70 findings which were currently being considered by management. It was hoped that this report could be submitted in March.

Members were concerned on the extent of the findings identified in the Car Parking audit and asked whether they related to matters of process or income collection. The Chief Internal Auditor stated that the findings were not only in relation to income collection but concerning those particular findings were on a broad range of activities there was no evidence to suggest that car parking income was affected, but there might be a query on collection of income for related areas such as advertising. Members requested that this report be circulated to them as soon as it was available.

The Committee considered the improvement in performance shown in the third quarter. The Chief Internal Auditor explained that the service was benefiting from the improved framework and training that had been put in place, but with external providers undertaking some of the Plan, these activities would need to be managed. Members were of the view that the final performance figures might be better than those quoted.

It was **RESOLVED:**

1. That the Internal Audit quarterly report as at 30 November 2009 be noted and the amendments to the Audit Plan be approved.
2. That an update report on the Car Parking audit be circulated to Members of the Committee as soon as the findings had been agreed with the relevant managers.

4 EXTERNAL AUDIT USE OF RESOURCES REPORT 2009

The Committee considered a report on the content of the Council's External Auditors (Grant Thornton) Use of Resources Report (UORR).

The Head of Finance introduced Justin Collings from Grant Thornton, the Council's External Auditors who gave an overview of the report. He explained that the Council's score of 2 across the board was fairly consistent with other District Councils in Hertfordshire. A positive aspect for Stevenage was that the Council was addressing its financial situation. This was particularly important given the likely decrease in public sector funding. Stevenage was also particularly strong in relation to data quality, providing good supporting data to evidence the performance indicators.

With reference to table 3 at paragraph 2.3 of the UORR that set out the UoR theme and the Key Line of Enquiry scores, Mr Collings explained that the Council could target areas of improvement to achieve a score of 3.

The Chair referred to Recommendation 2 in Section 4 of the UORR that concerned the Statement of Accounts. He explained that it had been Members who had asked for the explanatory material to be included within the Statement. Mr. Collings stated that it was preferred that any additional information should be included within the Foreword rather than in the Statement itself.

Members questioned Mr. Collings on recommendations 6 and 7 concerning member development plans. He explained that the Auditors would favour individual

Member development plans that would provide evidence of training undertaken and could assist in targeted training. Members were of the view that it would be necessary to also include in these plans reference to the individual development sessions office holders had with the Leader of the Council.

It was **RESOLVED:**

1. That the Use of Resources Report (as shown at Appendix One of the report) be noted.
2. That the Action Plan (shown at Appendix A to Appendix one) agreed with the Council be noted.

5 THE ANNUAL AUDIT LETTER 2008/09

The Committee considered a report that advised on the content of the Council's External Auditor's (Grant Thornton) Annual Audit Letter 2008/2009.

Justin Collings (Grant Thornton) informed the Committee that once finalised the letter would appear on the Audit Commission's Website. The Auditors recognised that the Council was actively pursuing additional efficiencies and had put a medium term financial strategy in place to address the depletion of balances and establish a position whereby there was a contribution back into the balances held. This was particularly important given the likelihood of further cuts in the Government grant.

Members were concerned that although the finalised letter would be placed on the Commission's website the draft, as submitted to the Committee, was in the public domain as a Part I item, particularly as the issues raised in the letter had since been addressed. There was also concern that as this letter related to 2008/2009 but was not published until nine months after the end of that financial year it may be perceived that the Council was still weak in the areas highlighted when actually remedial action had been in train for some time.

Concerning the second recommendation regarding preparation for the introduction of accounting under International Financial Reporting Standards, the Head of Finance stated that a Project Team was in place and there would be workshops for Members in March 2010.

The Committee noted that there was little reference to the Housing Revenue Account (HRA) even though the Council had recognised that there was room for improvement by SHL in managing this budget. Mr. Collings responded that SHL were an arms length organisation to the Council and whilst SHL had achieved 2 stars in their inspection there was still room for improvement and the Council could put this challenge to them.

It was **RESOLVED:**

1. That the Annual Audit Letter for 2008/09 be agreed subject to the addition to the first bullet point of section 1.9, 'Key Areas for Council Action', of an acknowledgement that the Council is aware of these challenges and is actively

pursuing additional efficiencies to ensure that a robust and balanced medium term financial strategy is in place.

2. That the Strategic Director (Resources) addresses the actions contained within the letter.

6 CONTRACT STANDING ORDERS - REVISED

The Committee considered a report that proposed revisions to the Council's Contract Standing Orders (CSO) for recommendation to Council.

The Head of Finance introduced the report and outlined the proposed changes to the CSOs.

Members expressed concern that often acronyms use in the document were not firstly written in full and many people may not be aware of what each individual acronym stood for.

In response to a question from a Member, the Head of Finance stated the Council's CSOs also applied to Stevenage Homes Limited (SHL) and although the revised provisions were subject to approval at Council in February 2010 the majority of the revised arrangements were already being adhered to by both SBC and SHL.

It was **RESOLVED** the revised Contract Standing Orders be approved for recommendation to Council subject to the inclusion of a glossary of all acronyms used in the document.

7 URGENT PART I BUSINESS

None.

8 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 1-17 of Part 1 of Schedule 12A of the Act, as amended by SI 2006 No.88.
2. That having considered the reason for the following report being in Part II it be agreed that maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

9 STRATEGIC RISK REGISTER QUARTER 2 2009/10

The Committee considered a Part II report concerning the latest Strategic Risk Register for the Council and developments in the risk management arrangements.

The Finance Projects Manager explained that the current arrangements had risks scored before mitigation actions were put in place. It was his view that it was important to consider the scores of each risk after the mitigation strategies have been put in place. Justin Collings (Grant Thornton) concurred with this view.

The Committee discussed the new reporting arrangements and with reference to the draft revised Strategic Risk Register template it was considered that the heading in the current template of 'Mitigation' was more appropriate than reference to 'Controls'.

A Member expressed the view that it would be important to consider Climate Change and the potential 'risks' for the Council in various areas/activities, but rather than establishing mitigation strategies, plans for adaptations would be necessary.

It was **RESOLVED**:

1. That the Quarter 2 2009/10 Strategic Risk Register (as set out at Appendices A1-A5) be noted.
2. That the progress in developing the Council's risk arrangements be noted.
3. That the column titles in the revised Strategic Risk Register template be amended to replace the words 'control' and 'controls' with 'mitigation'.

10 URGENT PART II BUSINESS

None.