

STEVENAGE BOROUGH COUNCIL**AUDIT COMMITTEE
MINUTES****Date: Monday 13 December 2010****Time: 6.00 p.m.****Place: Shimkent Room, Daneshill House, Danestrete, Stevenage**

- Present:** Councillors: L Chester (Chair), P Bibby CC, D Cullen, J Gardner, B Jackson and R Parker CC.
Independent: B Mitchell
- In Attendance:** Councillor Mrs J Lloyd
Phil Westman – Grant Thornton
- Started:** 6.00 p.m.
Ended: 7.40 p.m.

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence nor declarations of interests.

2. MINUTES - AUDIT COMMITTEE – 6 SEPTEMBER 2010

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 6 September 2010 be approved as a correct record and signed by the Chair.

Following a question by a Member, the Head of Finance advised that the detail of item 8, the Car Parks Internal Audit Progress Update Report should remain a Part II item due to the commercially sensitive information contained therein.

3. 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, as at 30 November 2010, 67% of the 2010/11 Audit Plan had been delivered. This meant that the Council was on target to complete the Audit Plan by 31 March 2011.

The Chief Internal Auditor explained the change to the Plan, as set out at paragraph 4.5 of the report, and requested the Committee's approval for these amendments.

Concerns were expressed that the Commercial Properties audit had exceeded its budget allocation by 270%. In reply to a question the Chief Internal Auditor explained that approximately 40 days had been spent on the audit against a budgeted allocation of 15 days and that the reason for the increased coverage by audit was because a significant number of control weaknesses were identified. The final Commercial Property report would be made available to the Committee if required.

A Member requested that in future the information at appendix A, Progress against the 2010/11 Audit Plan, include an additional column showing the actual number of days that had been used against each auditable area.

Members requested that should the Academy IT System Review recommendation not be completed by its revised implementation date of 31st March 2011, the Head of Service be asked to report back to the Committee detailing the reasons for the delay.

Members further requested that the Building Control Manager clarify the reasons for the slippage in implementing the outstanding Building Control recommendation.

It was **RESOLVED** that the Internal Audit quarterly report, as at 30 November 2010, be noted and the amendment to the Audit Plan, as set out at paragraph 4.5, be approved.

4. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID-YEAR REVIEW REPORT 2010/11

The Head of Finance presented a report that reviewed the operation of the 2010/11 Treasury Management & Investment Strategy and that proposed revisions to the Strategy in relation to counter party limits and the requirement for the Council to prudentially borrow to fund part of its capital programme.

An amended appendix A was circulated at the meeting.

The following changes to the appendix were highlighted:

- Table 1: 2010/11 General Fund estimate increased by £7k to £10904k
- Table 4: a revised Capital financing requirement from 2009/10 onwards
- Table 5: Increase in Council Tax for 2011/12 revised down to £5.69

The Committee was advised that the £5m counterparty limit applied to a banking group as a whole group, and not to individual banks within a group, and it was confirmed that the Council had no investments in Irish Banks.

The Committee was further advised that due to the state of the financial markets the Council believed that better rates could be achieved by investment in short term variable accounts than in longer term fixed accounts.

In reply to a question the Head of Finance advised the Committee that the Council could invest with selected banking groups and that the level of investment in 1-2 year deposits was restricted by central government, with many investments limited to 3 months. Security of funds was now the most important criteria to consider, and it was confirmed that all investments were managed in house and were in sterling.

In reply to a further question the Committee was advised that loans for the authority would be secured through the Public Works Loan Board at a rate of approximately 5.4%.

Borrowing would be required for the Decent Homes programme as capital balances would not meet capital expenditure. It was confirmed that central government would refund the cost of borrowing

It was confirmed that the payment of 75% of capital receipts to the central government pool would continue and that the Council was unaware of any threat to increase this amount.

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

5. ANNUAL AUDIT LETTER 2009/10

The Audit Committee considered reports which presented the External Auditor's Annual Audit Letter 2009/10 and the External Auditor's Value for Money Conclusion 2009/10.

Phil Westman from the Council's External Auditors (Grant Thornton) highlighted the key issues within the reports and invited questions from the Committee.

The Committee was advised that the Annual Audit had gone well and thanks were extended to the Council's finance team for being well prepared.

In reply to a question the Committee was advised that the Council was on track for the conversion to International Financial Reporting Standards (IFRS). It was expected that the property portfolio would be

affected, although changes to other key performance measures were not expected. It would be the role of Grant Thornton to offer support during the transition period, although it was confirmed that no detailed guidance had been received for the preparation of accounts under the new system. Grant Thornton would be looking for a consistency of approach for its clients.

In reply to a further question the Committee was advised that it would be unlikely that any extension to reporting deadlines would be allowed to enable Councils to comply with IFRS.

It was confirmed that Use of Resources measures had been abolished. The Committee was advised that Grant Thornton would be assisting the Council to focus on its Medium Term Financial Strategy and prioritise resources within tighter budgets.

In reply to a comment concerning the level of fees, the Committee was advised that fees were currently set using a formulaic process agreed by the Audit Commission. It was anticipated that there would be a reduction in the fee for 2011/12 and an expectation that fees would drop in line with Comprehensive Spending Review cuts over the following years.

It was **RESOLVED:**

1: That the report from the Council's External Auditors Grant Thornton relating to the Annual Audit Letter 2009/10 be noted.

2: That the report from the Council's External Auditors Grant Thornton relating to their Value for Money work for 2009/10 be noted.

6. VALUE FOR MONEY REPORT 2009/10

This item was taken with Item 5, Annual Audit Letter 2009/10.

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 1-7 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

9. STRATEGIC RISK REGISTER QUARTER 1 2010/11

The Committee considered a report on the latest Strategic Risk Register for Stevenage Borough Council and the Council's updated Risk Management Strategy.

It was **RESOLVED** that the Quarter 2 2010/11 Strategic Risk Register be noted as shown at Appendices A1-A5 of the report.

10. URGENT PART II BUSINESS

None

Chair