
CORPORATE AFFAIRS COMMITTEE

A meeting of the Corporate Affairs Committee was held on 27 July 2005.

PRESENT: Councillor Clark (Chair), Councillors Mrs H Pearson and Porley.

OFFICIALS: C Arbuthnot, B Baldam, J Bennington, D Clemmet, C Davies, R G Long, I Nicholls and P Slocombe.

**** PRESENT BY INVITATION:** L Hunt, District Audit Manager.

****AN APOLOGY FOR ABSENCE** was submitted on behalf of Councillor J A Jones.

**** DECLARATIONS OF INTEREST**

No declarations of interest were made at this point of the meeting.

**** MINUTES**

The minutes of the meeting of the Corporate Affairs Committee held on 20 April 2005 were submitted and approved.

STATEMENT OF INTERNAL CONTROL 2004/2005

With the approval of the Chair a revised report of the Director of Resources was circulated at the meeting which sought approval to the Statement of Internal Control 2004/2005 which had been compiled in accordance with the Accounts and Audit Regulations 2003.

The Statement set out the framework within which financial control was managed and reviewed and the main components of the system, including the arrangements for internal audit.

In response to concerns relating to the processes in respect of Revenues and Benefits previously reported to the Committee in respect of the 2003/2004 Statement it was confirmed that a detailed action plan had been implemented.

In terms of the 2004/2005 Statement, the Committee's attention was drawn to the section headed 'Significant Internal Control Issues' and the action plans in place to address such matters briefly summarised as follows:-

- a) improved guidance and instructions to staff and new quality monitoring arrangements in relation to Housing & Council Tax Benefit Control and checking procedures within the Benefits section;
- b) new arrangements for reconciliation monitoring in respect of Cash Receipting & Income Reconciliation backlogs which had compromised the controls on the collection and banking of income;
- c) improved processes in respect of the issues identified in the internal audit payroll report relating to control processes applied to key documents and the appropriate type and level of checking;
- d) improvements in the functionality of the SAP system to address areas of weaknesses which had been identified in authorisation and approval procedures within the Procurement IT system;
- e) following the review by District Audit of the implementation of the Financial Information System (SAP) which had identified certain control issues the following action had been proposed:-
 - i) review of processes to address the over reliance on manual intervention by ICT for extracting feeder files prior to interface with SAP;

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- ii) review of access arrangements for consultation in view of excessive users with full access to application, in particular 'Consultant' access to SAP;
 - iii) complete reconciliation processes to be implemented and regularly carried out to address a lack of end to end source system to SAP reconciliation's, possibly resulting from a lack of ownership;
 - iv) review of staff access in view of excessive number of users with access to the journals process in SAP;
 - v) monthly bank reconciliations to be completed and verified independently in view of bank reconciliation deficiencies contributed to by an under-developed understanding of processes;
 - vi) employment of an officer to deal specifically with Disability Discrimination Act 1995 and the allocation of additional funding.
- f) the following control issues had been identified as requiring attention during 2005/2006;
- i) future provision of the audit function to be reviewed as there was insufficient capacity within the Internal Audit function and hence a risk that the audit plan would not be fulfilled;
 - ii) in response to the increasing demand for in house project management skills and the Authority's limited capacity to carry out such work a joint training course with IPF was proposed to expand and improve project management skills across the Authority.

ORDERED as follows:-

1. That the Statement of Internal Control 2004/2005 be approved.
2. That the issues outlined under the heading of 'significant internal control issues' within the Statement be noted.

STATEMENT OF ACCOUNTS 2004/2005

In a report of the Director of Resources the Committee was informed of the 2004/2005 draft Statement of Accounts, which had been compiled in accordance with statutory regulations and guidance, the audit of which had commenced by District Audit.

The report referred to the main components of the Accounts as follows:

Appendix A - Consolidated Revenue Account
Appendix B - Consolidated Balance Sheet
Appendix C - Housing Revenue Account.

Members' attention was drawn to the following key areas:-

- (a) financial risk to the Authority arising from a large number of equal pay claims from current and previous employees;
- (b) reduction in the value of fixed assets and long term borrowing (loan debt) as a result of certain adjustments following the transfer of the Council's housing stock to Erimus Housing;
- (c) in line with the FRS17 disclosure, the Net Pension Asset as at 31 March 2005 was a liability of £159.86m which had increased from a liability of £98.63m as at 31 March 2004 mainly due to the change in assumption used to value the liabilities;

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- (d) in order to avoid any adverse impact on services additional funding had been allocated as part of the Council's financial strategy to deal with the likely substantial costs relating to the programme of job evaluation which would form the basis of a new pay and grading structure.

ORDERED that the 2004/2005 draft Statement of Accounts be approved.

PARLIAMENTARY CONSTITUENCY BOUNDARY REVIEW

In a report of the Director of Legal and Democratic Services the Committee was informed of revised recommendations of the Boundary Commission for England in their review of the Parliamentary Constituency Boundaries in Middlesbrough which had commenced in 2000.

The four unitary authorities of Middlesbrough, Hartlepool, Redcar & Cleveland and Stockton-on-Tees had been reviewed by the Boundary Commission resulting in an electoral quota of 69,934 for each of the six constituencies.

The Boundary Commission's recommendations did not divide borough wards between constituencies and the current constituency boundaries were realigned with the new ward boundaries, which came into effect in May 2003, with the minimum of change.

The new constituencies would come into force at the next General Election following the completion of the review nationally.

The Boundary Commission's recommendations were in accord with the proposals agreed at the meeting of the Committee held on 20 April 2004 which included the recommendation for the title of the constituency to remain Middlesbrough South and East Cleveland.

NOTED