

**NORTHAMPTON BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**Monday, 3 September 2018**

**PRESENT:** Mr Ian Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors Oldham, M Markham, Golby, J Hill, Marriott, Stone and T Eales

**1. APOLOGIES**

There were none.

**2. MINUTES**

The Minutes of the meeting held on the 18<sup>th</sup> June 2018 were confirmed and signed by the Chair as a true record.

**3. DEPUTATIONS / PUBLIC ADDRESSES**

There were none.

**4. DECLARATIONS OF INTEREST**

There were none.

**5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED**

None

**6. LGSS INTERNAL AUDIT UPDATE**

The Audit and Risk Manager (LGSS) submitted a report which provided an update on the progress of the work undertaken since the last report was considered in June 2018. It was explained that focus was currently on the 2017-18 Plan, the 2018/19 Plan and Follow up Work, based on the agreed timescales for implementing audit recommendations reflected in the original audit report. It was explained that the approach to follow up work was to seek an update from designated responsible officer's alongside collating advice to support the implementation of actions.

Councillor Stone requested that a diagram of the roles and fields of internal and external auditors be brought to a future Audit Committee to which the Chief Finance Officer agreed to.

**RESOLVED:**

That the report be noted:

**7. UPDATE ON STATEMENT OF ACCOUNTS 2016-17**

The Chief Finance Officer elaborated on a report which provide the Committee on the Statement of Accounts for 2016/17. It was explained that there had been a number of issues arising from the draft set of accounts previously submitted to the Committee that had prevented the production and sign off of the accounts by the Audit Committee and External Auditor

In response to a question asked by the Chair, the S151 officer explained that without the 2016/17 accounts being signed off, many aspects of 2017/18 could not proceed.

The External Auditor explained that they had received a number of working papers for the SoA including the asset valuation report but that this could not be fully assessed until the relevant information had been inputted for 2016/17 accounts on the system.

A member of the Committee questioned whether there would be a significant risk to the 2017/18 accounts not being closed down. He was assured that the accounts would be closed down and it was anticipated that the fixed assets would soon be signed off.

The External Auditor commented that they were optimistic that the 2017/18 accounts would be completed and signed off smoothly as the asset value issues would have been resolved since the 2016/17 accounts.

The Chief Finance Officer, in response to questions asked, confirmed that it was possible for both the 2016/17 and 2018/18 accounts to be formerly signed off together.

It was noted that LGSS Finance, who delivered the full range of financial services to NBC had produced a summary explanation of the issues that they had faced and the subsequent actions taken, which was appended to the report. In response to questions asked, it was explained that the Borough Council bought in the service from LGSS Finance whose systems were out of synchronisation with each other. In response to additional questions asked, it was noted that LGSS would be undertaking a capacity review of staff and reported that there had been some unique issues with a number of agency workers who had left a knowledge gap when they had ceased their employment. It was noted that this was a high risk audit and as such, it was necessary for a more in-depth approach to be taken that had utilised a lot of additional resources.

Members asked for reassurances that LGSS Finance could provide the Council with a service that was fully resourced and it was explained that LGSS Finance believed that it had the expertise and could source further resources as required. The Chief Finance Officer explained that once the Statement of Accounts for both 2016/17 and 2017/18 had been signed off, options would be considered for alternative service providers, should assurances from LGSS Finance not be provided.

In response to questions asked by the Committee, it was explained that the Borough Council assets were valued individually by internal valuers and external commercial valuers, if there were to be a disposal, as it was essential that the Council could protect its assets and achieve value for money.

The Chief Finance Officer explained that it was anticipated that the 2018/19 accounts would be closed down rapidly and resources would be focused and noted that it was not expected that the Statement of Accounts would not be fit for purpose by the time the Council moved to Unitary status.

The Chair requested an update of ongoing work being undertaken by LGSS Finance and the following update was given:

- The significant audit issues that had been faced had been cleared and close to being closed,
- RAM(assets system) consultants had trained staff on the new system
- Revenue aspects of the Audit had progressed well and once the 2016/17 accounts had been closed, the 2017/18 would progress with speed.

The Chair requested that once the Statement of Accounts were ready to be signed off, the

Audit Committee hold an Extraordinary meeting to ensure that they be signed off as soon as possible.

**RESOLVED:**

1. That the Committee noted the issues that gave rise to the delay in the production of the Statement of Accounts for 2016-17.
2. That the Committee noted that lessons had been learned and improvements made to the processes and data that would improve the production of the 2017-18 Statement of Accounts and subsequent years.

**8. RISK BASED VERIFICATION (LGSS REVENUE & BENEFITS SERVICE)**

The Service Delivery Manager (LGSS) submitted a report which sought to review the approach to verify claims for Housing Benefit and Council Tax Reduction and for approval of the Risk Based Verification (RBV) Policy.

Members of the Committee commented that they welcomed the report and noted that the early signs showed that it was speeding up the system. It was explained that it would be fairer system and that update and monitoring of the process would be bought back to the Committee.

**RESOLVED:**

That the Audit Committee approved the proposed Risk Based Verification Policy (appended to the report).

**9. UPDATE ON APPOINTMENT OF INTERNAL AUDITORS**

The Chief Finance Officer updated Members on the appointment of Internal Auditors. It was explained that PwC were no longer the Councils internal auditors and that the Council had awarded the contract to BDO.

**RESOLVED:**

That the Committee note BDO have been awarded the contract of internal auditors for the Council.

**10. GOVERNANCE ACTION PLAN**

The Governance and Risk Manager submitted a report which outlined and updated members on the progress made on implementing the Council's Governance Action Plan (GAP). It was noted that there were currently only 2 remaining actions that were incomplete and it was reported that staff were more aware of the governance arrangements and the processes that needed to be followed and therefore was considered no longer necessary to be presented at future meetings. The Chief Finance Officer explained that there had been issues that had been highlighted, acted upon and therefore there was no longer a need to review the plan constantly and that effective governance practises was bedding in well. It was noted that responsibility for the governance of contract management would be transferred to the Governance and Risk Manager.

The Committee discussed the Governance Action Plan and considered that it be necessary for some of the information to continue to be report to the Audit Committee. It was explained that the Corporate Risk Register would provide updates of some of the areas of concern and would act as a mechanism for continuity without the need for the GAP. It was further reported that the Annual Governance Statement would provide comprehensive information

on any potential governance risks.

**RESOLVED:**

1. That the Committee agreed that the Governance Action plan was no longer required to be presented at future Audit Committee meetings.
2. That the draft Annual Governance Statement Review be presented to the Committee every 6 months.

**11. TREASURY MANAGEMENT POLICY AMENDMENT**

The Chief Finance Officer submitted a report which sought a proposed amendment to Northampton Borough Council's Treasury Management policy. It was explained that the amendment would allow the Council resources to work harder and would provide an additional income stream and deliver value for money.

**RESOLVED:**

- 2.1 That the contents of the finance treasury management policy report be noted.
- 2.2 That Audit Committee recommend to Council the approval for the use of property investments, direct and indirect, to achieve improvements in Treasury yields, up to a maximum investment value of £16.000M.
- 2.3 That Audit Committee recommends Council to approve the delegated powers as set below:
  - a) To approve investments of up to £8.000M, in one or more indirect property funds and to delegate power to the Section 151 Officer, after consultation with the Portfolio Holder for Finance, and after receipt of advice from LAS with due regard to security and liquidity, to approve such investments subject to the limitation that funds to be invested in would be restricted to those that are already utilised by one or more other Local Authorities and offering in excess of 4% return/yield at the time that the investment is placed.
  - b) To approve the direct investment of up to £8.000M in commercial property for Treasury Yield purposes only, and to delegate authority to the Chief Executive, in consultation with the Section 151 Officer and the Head of Assets/Regeneration after consultation with the Leader and the Portfolio Holders for Finance and Assets to approve such acquisitions and disposals.

The meeting concluded at 7.38pm