

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 28 January 2019

PRESENT: Councillor Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors M Markham, J Hill, Marriott and Stone

APOLOGIES: There were none.

2. MINUTES

The Minutes of the meeting held on 26 November 2018 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

Notification was received from Mr Hoare who spoken on Item 6.

Mr Hoare raised concerns regarding the adequacy of the budget consultation and the risk regarding non-delivery of financial targets set out in the Budget and Medium Term Financial Plan (MTFP). Less than half of the efficiency savings approved in February 2018 had been achieved with the remainder added back into the budget. This approach did not promote confidence.

No information was available on how the savings attributed to the Car Parking Scheme Review would be achieved.

4. DECLARATIONS OF INTEREST

Councillor Marriott declared a disclosable non-pecuniary interest because he was a trustee of 78 Derngate.

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

There were none.

6. RISK REVIEW OF THE 2019/20 BUDGET

The Chief Finance Officer expanded on the report saying the budget was a costed plan in which assumptions had been made. £1m had been added to the Temporary Accommodation budget. The budget didn't contain many aspirations due to the impending change to the local government structure of the county and limited resources. An assumption had been made around the business rates income however mitigations were in place should this not be realised.

The previous Cabinet meeting had received a report regarding overspends, which was largely due to funding Temporary Accommodation for the homeless. He felt the known risks within the budget were manageable however there was contingency to manage the unknown.

In response to questions asked the Chief Finance Officer confirmed that local pay agreements were in operation at the Council. The Council had a corporate risk register and the Council's reserves mitigated the risks. Regardless of the impending change to local government structure the Council had to set a balance budget and have a MTFP. Any remaining reserves would be inherited by the Unitary Authorities once they took effect. He

was content that the Council had a healthy level of general reserves however like all local authorities' efficiencies would be sought where possible.

In response to further questions the Chief Finance Officer explained that the Parish Council grants and precept had to be listed in the accounts even though the funding once received was paid straight out again. The Business Rate pilot scheme was being discussed by all authorities' in the County. Most of the funding received could be used against the costs of transformation to unitary authorities however this needed to be confirmed.

In response to a question the Chief Finance Officer explained that the impact of the loan to Northampton Town Football Club would have no impact on next year's budget. The Sixfields reserve was being created to manage the risks. The Chair indicated that the Committee should have oversight of this and any associated risks.

In response to questions the Chief Finance Officer indicated that further information on the Car Parking Scheme Review, the Reduced Training Budget and the Environmental Services Contract Review savings proposals should be sought from the relevant Cabinet Members and would be published in due course.

The Chief Finance Officer clarified that the role of Overview and Scrutiny was to consider budget proposals in more detail. The role of the Audit Committee was to ensure that the budget demonstrated a risk-based approach. All members were able to attend the Overview and Scrutiny sessions where more detail was provided around some of the budget proposals.

The proposal regarding restructure of the Housing Options and Advice Team would go ahead, and details would be presented to Cabinet in due course.

Members said there was a need to be clear on the risks and what was achievable around a proposal to ensure the mistakes of the past were not repeated.

The Chief Finance Officer explained that the Eleanor Cross proposal was an in-year proposal so would not feature in next year's budget proposals and St James Link Road was not included in the current draft capital budget.

Councillor Markham stated she was a Director at NPH and asked why Horizon House was not included in the draft capital list. The Chief Finance Officer said it was a draft budget and NPH had withdrawn from NBC constructing the offices.

The Council was looking to use new homes as temporary accommodation in the future however proposals still needed to be developed. Market research had been conducted to determine the new schemes however they would only be included if there was funding or demand.

In response it was clarified that new meters had been installed at the traveller's site therefore there were annual maintenance costs to be accounted for and the Council would seek to recover those costs

RESOLVED that: The Audit Committee considered issues in relation to risk within the budget proposals for 2019/20.

7. STATEMENT OF ACCOUNTS 2016/2017

The Chief Finance Officer thanked his officers for their hard work during the year. Getting to this point had been a long journey and he clarified that the delay did not represent any risks

to the tax payer, it was due to errors in the technical account treatment which had been exasperated by staff turnover. The accounts were the same as presented to the Committee in June and September 2017 therefore the focus would be on the bridging document that explained the changes and the external auditors view.

Appendix two listed the table of changes which were mainly due to the asset valuation change that had impacted other areas of the accounts.

In response the Chair said the Chief Finance Officer would present a report in March 2019 that covered the lessons learned from this audit and staff resources.

The External Auditors was pleased to present the final ISA260. Many of the issues were due to interim staff not taking responsibility or acting on advice given. There was no excuse for this and it should have been managed better by the authority at the time. He welcomed the early discussions on the 2019/20 budget proposals. They were going to be issuing an unqualified audit opinion on the Authority's 2016/17 financial statements but will not issue the certificate due to the outstanding work regarding the Northampton Town Football Club (NTFC) loan.

They now had the closing balances for the 2016/17 accounts and opening balances for the 2017/18 accounts. They had confidence in the current finance team to produce reliable working papers for the 2017/18 accounts.

The External Auditors highlighted that both his team and the LGSS Finance team had been working ridiculous hours to achieve this. There was lots of work to be done before they could hand over the audit work to EY.

The External Auditors noted that the adverse value for money (VFM) conclusion was predominantly due to the circumstances around the loan to NTFC. There were risks regarding the Governance action plan and NTFC loan and the wider loans system.

In response the External Auditors confirmed that the audit fees would be in excess of £300,000 but would be subject to PSAA approval.

Concerns were raised regarding capacity issues and the use of interim staff and whether or not the contracts management and variations were covered under the governance action plan. In response the External Auditors indicated that that was a wider remit than they covered however the Audit Plan for 2017/18 looked at the arrangements the Authority had in place for contract management and monitoring.

In response the Chief Finance Officer clarified that the Authority's processes around fraud were tight and due diligence was carried out. The Authority was not at any greater risk of fraud than others.

In response the Chief Finance Officer explained that many of the changes to the accounts were due to the valuations of HRA housing stock. The External Auditors added that the loss of the in-house property team along with incorrect valuations being received had created the issues around asset valuations.

The External Auditors noted there were twelve recommendations, six were high priority. Most of them had been accepted by the Authority making it easier to progress to the 2017/18 audit. Adopting the recommendation to conduct a financial closedown at the end of every month would put the Authority in a stronger position in the future. They had lowered the materiality due to it being a higher risk audit.

They returned to the audit fees which had been listed in as much detail as possible to ensure transparency and a detailed breakdown had been provided to officers. They had received two elector questions.

The report also contained a copy of the letter to the previous permanent S151 officer detailing why the audit had been stopped. They were now in a position where they were happy to sign off the 2016/17 accounts with an adverse conclusion.

In response the External Auditors explained that the impact of the loss of the loan and the need to test the governance processes in place could lead to a potential adverse conclusion on the 2017/18 accounts however it was too early to predict.

In response the External Auditors indicated it was good that the loss of the loan to NTFC had been raised. The decision was taken on information provided by the previous permanent S151 officer, Chief Executive, Transformation Director and the previous Leader, that was incorrect and incomplete. They hoped to conclude their work in this area within the next three months.

The Chair express cautious optimism for the 2017/18 audit of the accounts and hoped for a further update on this in March 2019 along with a report from Internal Audit of progress made.

RESOLVED: That the Audit Committee:

- 1. Noted the changes made to the Statement of Accounts for 2016/17 following the conclusion of the external audit by KPMG;**
- 2. Approved the Statement of Accounts for 2016/17; and**
- 3. Noted, that the delay in delivering the accounts related primarily to technical accounting, asset valuation and information presentation issues. It did not impact on the funding and financial sustainability of the Council or its prime financial controls and governance.**

The meeting concluded at 8:00 pm