

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 15 January 2018

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

1. APOLOGIES

Apologies were received from Councillor Chunga, who was substituted by Councillor Joyce.

2. MINUTES

The Minutes of the meeting held on 13th November 2017 were confirmed and signed by the Chair.

The Chair noted that an update of the minutes was information relating to the recruitment process of the Independent Chair of the Audit Committee, which she explained had been re-advertised, the closing date being the 28th February 2018.

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

There were none.

6. GOVERNANCE ACTION PLAN

The Governance and Risk Manager elaborated on a report that outlined the progress made to date on implementing the Council's Governance Action Plan (GAP). It was explained that of the 48 items originally listed for implementation, 12 remained open and since the last Audit Committee, 7 further actions had been completed. It was noted that two related actions on the plan were on track but that the review date had been adjusted. The Annual Governance Statement was also on track but was not due to be completed until May/June 2018.

In response to questions asked, the Governance and Risk Manager commented that it would be hard to measure how effective the GAP was as there was a need for it to be embedded throughout the Council. She noted that the Risk Register would be updated, monitored and reported back to Audit Committee, alongside internal control review plans. It was noted that the Environmental Services Review had been classed as a project and subject to its own risk management processes and further monitored by the internal auditors. Responding to further questions, it was explained that the corporate programme and project boards would provide extra layers of control and increased scrutiny. It was agreed that an Internal Audit Plan be presented at a future Audit Committee which would show use and effectivity.

The Governance and Risk Manager explained that with regards to CIPFA/SOLACE a number of actions were in place and it was noted that there were a number of policies that

were out of date. It was recognised that there was a need to embed good practice throughout the Council. In response to questions asked, it was explained that whilst there were a number of out of date policies, these would be updated and reviewed annually. She further reported that the Whistleblowing policy had been updated and an external whistleblowing hotline had been set up.

RESOLVED:

- 2.1 That the Governance Action Plan be reviewed.
- 2.2 That the Committee receive updated reports on the implementation of the Governance Action Plan from the Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

7. UPDATE ON SIGNING OF THE 2016/17 ACCOUNTS

The Interim Finance Project Manager elaborated on a report that had been submitted informing the Committee on the work that had been undertaken towards enabling the external auditors (KPMG) to issue their audit opinion on the 2016/17 Statement of Accounts. It was explained that KPMG had advised the Chief Finance officer that there were 3 specific areas of concerns that they would need evidence and assurance on before being able to issue an audit opinion. It was explained that extensive work had been undertaken, with significant staff resources being diverted to ensure that KPMG were provided with adequate assurance to enable them to issue their opinion. Reassurance was given that the target date for issuing an external audit opinion remained the 31st January 2018.

In response to questions asked, the Interim Finance Project Manager commented that he was confident that the accounts would be signed off, but should KPMG not be satisfied they would have 2 options; to delay signing off the accounts or to qualify them. Responding to further questions, it was noted that a thorough review of the beacons would be completed by February 2017/18 but would not have any impact on the accounts.

The Chief Finance Officer explained that the extra costs incurred by the additional work undertaken by KPMG was in the region of £30,000 and that the final cost would be incorporated into future update reports from the External Auditors. It was explained that the additional work had not significantly delayed progress on 2017/18 accounts and it was noted that work by the Council and KPMG on next year's accounts was underway and seemingly positive.

In response to further questions asked, the Interim Finance Project Manager noted that the asset valuation had been extensive and that information would provide a baseline going forwards. It was explained that the Council had an asset register and a finance assets register which supported the accounts. It was further explained that some of the areas of concerns identified could be attributed to a number of factors which included a high turnover of staff in the asset department, as number of sudden departures and as such historic knowledge was lost and insufficient handover notes provided.

The Internal Auditor confirmed that their role in the organisation was to identify and develop plans on key risks areas and the operational processes.

The Chair thanked the officers and noted that whilst there was a need to recognise the areas of weakness identified, there was a need to move forward and be reassured by the reduction of risks.

RESOLVED:

That the Audit Committee noted the progress towards enabling KPMG to issue their external audit opinion on the 2016/17 accounts.

8. ACCOUNTING POLICY 2017/18

The Strategic Finance Business Partner submitted a report and which sought Audit Committees approval of the Council's Accounting Policies. It was noted that the Policies had been discussed with the External Auditors who did not observe any material changes. It was explained that although there had been no technical changes in the Council's accounting policies, there had been minor changes to the wording in order to enhance understanding.

The Strategic Finance Business Partner also highlighted that Accounting Policies specifically in relation to asset valuation had been discussed with the External Auditors and External Valuers in light of the current work on the 2016/17 Statement of Accounts.

In response to questions asked, the Strategic Finance Business Partner explained with regards to the Business improvement Districts (BID), business rates and an additional BID Levy were collected and this additional levy collected from both the BIDs is paid back to the BIDs on a monthly basis.

RESOLVED:

That the Audit Committee approved the Accounting Policies that would be applied in completing the 2017/18 Statement of Accounts.

9. RISK REVIEW OF 2018/19 BUDGET REPORT

The Chief Finance Officer submitted a report and elaborated thereon. He explained that the Audit Committee were being asked to consider issues in relation to risk within the budget proposals for 2018/19. Members were informed of a number of strategic risks identified within the budgets and the mitigation against them. It was explained that Government funding could potentially change and to mitigate the possible effect of this the Council was determining a prudent minimum level of General Fund balances. It was reported that the Government had carried out a spending review but figures were only available up to 2020, after which figures were unknown. It was noted however, that the Council's earmarked reserves were considered to be positive and relatively compared to other local authorities.

In response to questions asked, the Chief Finance Officer explained that cost of the Environmental Services contract would be higher in the first year as it was considered that additional work may need to be carried out in order to bring work up to a level of specification. It was noted that it was anticipated that the inflation figures would be built into the contract and would be factored into the final budget.

The Chair informed the Committee that a tracker document would be brought back to the Audit Committee updating members of the proposed risks to ensure the Council are targeting and assessing any potential risks.

RESOLVED:

That the Audit Committee considered issues in relations to risk within the budget proposal for 2018/19.

10. FINANCIAL MONITORING REPORT

The Chief Finance Officer submitted a report and noted that the 2017/18 Financial Monitoring report would be presented to Cabinet on the 17th January 2018 and showed underspend on the Housing Revenue Account (HRA) and the General Fund. It was explained that there was a forecast overspend from the Head of Housing and Wellbeing which in part was due to a sharp rise in the number of homelessness application and the subsequent increase in the use of temporary accommodation and the added pressure of this would continue to rise.

In response to questions asked, the Chief Finance Officer explained that there was a need to ensure the Council had balanced financial positions. It was noted that there had been a decrease in the number of homeless people being housed in Bed & Breakfast accommodation as a number of them had been moved into more inexpensive accommodation and more people were being processed quicker. It was explained that the Homelessness Flexible Support Grant went some way to cover the costs but that it would only be available for 2018/19.

RESOLVED:

That the report be noted.

11. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

The Revenues & Benefits Technical Manager Financial submitted a report which sought consideration of the corporate debts as at 30th November 2017. It was noted that the overall outstanding Council tax arrears as at the 30th November 2017 was £333k less than at the same point the previous year. The Members' attention was drawn to table 2.43 of the report which listed the top 20 high value arrears cases for Business Rates (NNDR). It was further reported that there had been a slight increase in former tenant arrears and an increase in the number of Housing Benefit Overpayments, the increase being in line with the national trend for overpayments. The Revenues & Benefits Technical Manager explained that the overall outstanding Sundry Debts had increased which was primarily due to 2 Section 106 invoices which remained outstanding.

RESOLVED:

That the latest position in relation to the Council's outstanding debts as at the 30th November 2017 was noted.

12. INTERIM STAFF UPDATE

The Strategic Finance Business Partner submitted a report which sought to update the Committee with a position statement as to the numbers of staff vacancies and interim/agency staff engaged. It was noted that updated figures showed that the November 2017 figures for interim/agency staff totalled 24, a decrease from 39 when the Committee first asked for an update in March 16. The number of vacancies had also decreased from March 16, from 52 down to 41.

The Committee questioned whether the number of vacancies would decrease as part of the efficiency saving plans. The Strategic Finance Business Partner responded that where this is the case, this has been detailed by the Service in sections 3.2.4 -3.2.7.

RESOLVED:

That the report be noted.

13. PWC INTERNAL AUDIT - VERBAL UPDATE

The Internal Auditor verbally updated Members and noted that since the last Audit Committee in November 2017 they had issued a medium risk report around HR and a low risk from Payroll. She commented that they had been given a copy of the staff 'Pulse' survey. It was explained that they had issued a draft report around the updated Whistleblowing Policy, the Scheme of Delegations and Estates and Assets and noted that there had been continued work on the Environmental Services Contract. It was further explained that there had been changes to the number of allocated days and that they were being re-allocated which she did not consider would pose any issues with the signing of the Annual Internal Audit Plan.

The Chief Finance Officer commented that the Draft Internal Audit Plan had previously been brought before the Committee, commented on and finalised. He proposed that workshops be arranged to allow Members of the Committee the opportunity to explore and question the Internal Audit Plan.

RESOLVED:

That the verbal update be noted.

The meeting concluded at 7.49pm