

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 11 September 2017

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

1. APOLOGIES

Apologies were received from Councillor Chunga.

2. MINUTES

The Minutes of the meeting held on 3rd July 2017 were confirmed and signed by the Chair.

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 the report and outlined the progress that had been made to date on implementing the Council's Governance Action Plan (GAP). It was noted that there had been a reduction in the number of actions from 67 to 48, noting that some of the reduction could be attributed by some action points being merged, due to duplication. It was reported that the number of actions that remained open was 26 and 22 had been closed. It was explained that there were a number of key areas of improvement in the GAP; Risk Management had been completed and was currently being reviewed by the Internal Auditors. Due Diligence was identified as being another key area and progress was noted with quotes received for License to Practice training which it was anticipated would be undertaken by the end of October 2017. The Governance and Risk Manager also referred to the Whistleblowing Policy which was expected to go live imminently.

In response to questions asked, it was explained that Whistleblowing cases would be reported to Audit Committee. The Borough Secretary also explained that whilst a number of the items had been merged on the GAP this had contributed to a slowing down of some decision making which was due to the implementation and bedding-in of the Plan. The Governance and Risk Manager explained that some of the timescales had been pushed back and recognised the need for honest and deliverable reporting. It was further noted that any recommendations received from external auditors could be incorporated and absorbed into the GAP.

RESOLVED:

- 2.1 That the Committee reviewed the Governance Action Plan to inform further work on its content, development and implementation.

- 2.2 That it be agreed that the Committee receive update 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. ISA260 ACTION PLAN

The Interim Strategic Finance Business Partner submitted a report and noted that the report informed the committee of the progress and closing off of the recommendations raised as part of the External Auditor's 2015/16 ISA260 report. He reported that the ISA260 action plan had included 41 separate actions to deals with 3 still outstanding which had progressed but had not been fully completed. It was further explained that one significant change from the previous Committee was the completion of the Loans Checklist and the inclusion of a further two actions to deal with a further recommendation raised in the 2016/17 Interim Audit Report. It was noted that the loans checklist had not been used to assess any new loans but that it had been used to check against older loans and therefore its full effectiveness had not been measured.

RESOLVED:

That the progress achieved to date against the action plan developed by the statutory S151 Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 and 2016/17 Interim Report Recommendations be noted.

8. APPOINTMENT OF EXTERNAL AUDITORS FOR 2018/19

The Senior Finance Business Partner submitted a report on behalf of Management Board and explained that in November 2016, the Audit Committee agreed to recommend to Council that Northampton opt to join the national scheme for external auditor appointments for a 5 year period from the 1st April 2018 offered by the Public Sector Audit Appointments (PSAA) which and Council accepted the recommendation. It was noted that the national procurement had resulted in a proposal to select Ernst & Young LLP (EY) as the authorities' external auditors. Currently authorities were being consulted on the outcome, and officers recommend accepting the outcome and that no concerns need to be raised with the PSAA.

In response to questions raised by the Committee, the Chief Finance Officer stated that the procurement and selection process of EY had been note nationally and that a scoring matrix would be shared with members. It was explained further that any outstanding questions relating to the current and/or previous financial year would be dealt with by KPMG and from April 2018 it would be EY. Members were informed that there would be an extensive handover between the two Auditors.

Members discussed the report.

Upon a vote, members voted in favour of accepting the recommendations with one abstention.

RESOLVED:

That the report be noted and the selection of Ernst & Young LLP (EY) as the authorities proposed external auditors to audit the Council's accounts for five years from 2018/19 be accepted.

9. FINANCE MONITORING

The Chief Finance Officer elaborated upon a report which presented the Committee with the Financial Monitoring position to the end of June 2017. It was explained that monitoring reports had been provided to Cabinet on a more frequent basis to ensure that the latest financial positions were being reported and the Audit report would focus on key financial issues on a cyclical basis, specifically included in the report was an update on the position of the Enterprise Zone. It was noted that there were some areas of risk in the budget (partly due to early reporting in the financial year) specifically with regards to homelessness and provisions of related services due to increase in demand; this would be monitored closely and reported back at future meetings.

Members were informed that all Business rates generated by an Enterprise Zone (EZ) was retained by the Local Enterprise Partnership and Local authorities in the area for 25 years and were to be reinvested in local economic growth.

In response to questions asked, the Committee were informed that risk mapping was undertaken and numerous risk testing and scenario planning was being undertaken. It was noted that there were always going to be risks associated with changes to SEMLEP, Government or Policy but that there was statute in place.

The Chair commented that the Business Rate Uplift was originally supposed to go back to SEMLEP but extensive work undertaken by Officers had resulted in the Borough Council retaining a significant portion.

In response to further questions asked, the Chief Finance Officer commented that the Business Rates were subject to appeal and extensive monitoring of this was on going. It was reported that there had been some successful appeals but that an estimate was included in the position statements. He further explained that the remained of the funding for the Disabled Facilities Grant (DFG) was coming from Capital Receipts and borrowing and noted that the level of demand had been well in excess of Government funding but that the Council had to fulfil the grants by statute.

RESOLVED:

That the contents of the report be noted.

10. DEBT MONITORING REPORT

The Revenues & Benefits Technical Manager elaborated on a report which sought to update the Committee on the position regarding the Council's outstanding debts as at 31st July 2017. He explained that the overall outstanding arrears had increased by £4,163k compared to the same point in 2016. It was noted that unmanaged debt had also increased in the last year, the majority of which was within Asset Management.

In reference to Council Tax arrears, improvements in collection on arrears had improved year on year. It was explained that more work would be needed to write off some debt and that the Council were looking to engage with 3rd party suppliers to assess the value and cost effectiveness in pursuing the debt. It was further explained that there had been 5 companies that had gone into administration which had subsequently impacted on the Business Rate figures.

In response to questions asked, the Revenues & Benefits Technical Manager explained that it was not possible to report on the circumstances of how much arrears people were in prior to qualifying for the Council Tax Reduction Scheme (CTRS).

RESOLVED:

That the latest position in relation to the Council's outstanding debts as at 31st July 2017 be noted.

11. AGENCY AND INTERIM REPORT

The Interim Strategic Finance Business Partner elaborated on a report which presented the Committee with a position statement on the number of staff vacancies and interim/agency staff engaged covering vacant posts. It was explained that the Committee had been receiving regular update reports and following the meeting of the Committee in June 2017, 3 queries had been raised by Members which were included in the agenda. It was explained that although there had been a decrease of 23 posts across 3 directorates the true picture varied from the report as the Borough Secretary department had transitioned a number of positions from LGSS including Legal and HR services. It was noted that the total costs incurred to date since April 2017 for all interim/agency staff was £476k and it was highlighted that that figure represented the gross costs which would be off -set by savings in permanent staff budgets.

The Committee recognised the need to use interim/agency staff in the short term but had some concerns as to whether it provided value for money or if there were any other options that could be considered which included examining how to retain and develop existing staff. Questions were raised as to whether potential employees were attracted to positions open at the Council or if broader issues were affecting the employment figures and if this was specific to the Council or the whole public sector.

It was noted that Heads of Service and Directors had been invited to the Committee to elaborate on the report and answer any specific questions raised about their Directorates.

It was reported that some directorates had found difficulties in recruiting permanent staff and to fill vacant roles, hence the use of interim and agency staff within their area. It was noted that often Interims would be employed due to their expert and specialist knowledge. It was suggested that there was a reluctance to commute and that other authorities were more easily accessible such as London and Birmingham where wages would be higher and that the current terms and conditions offered by the Borough Council were not as favourable as other authorities. Reference was made to similar problems that were being experienced in the private sector and advised that a combination of both apprenticeships and graduate recruitment could go some way to resolve the staffing positions in the future.

A suggestion was made that further examination should be conducted with regards to the length of time and the costs of the appointment of an interim and whether it was in specialist roles.

It was suggested by a Committee Member that there was a need for them exit interviews to be seen by the Committee so that they could get an understanding of how to improve and retain staff and to look at ways of improving the workplace. The Committee acknowledged that there was no quick-fix solution to the problem as any changes would take time to imbed.

RESOLVED:

That it be agreed that future reports are widened to include details of all interim/agency staff

including those not covering vacant posts.

12. DRAFT INTERNAL AUDIT PLAN LGSS - 2017/18 TO 2019/20

The Audit Committee received a report that informed them about the LGSS draft internal Audit Plan 2017/18 -2019/20 for services provided to Northampton Borough Council. It was explained that the plan would be kept under constant review to ensure it adapted to any emerging risks and developments as and when they were identified.

RESOLVED:

That the Committee noted the LGSS draft internal audit plan (contained at Appendix 1 of the report) for services provided by LGSS to Northampton Borough Council.

13. PWC AUDIT REPORT

The Internal Auditor elaborated on the report submitted to the Committee and noted that significant progress had been made with regards to the continuous auditing approach and following a discussions with the Governance and Risk Manager it was deemed more appropriate to undertake some detailed reviews on specific areas of risks identified that a more 'light touch' approach across the Council. It was noted that they would focus on three areas: Financial Delegations, Contract Management and Fraud Awareness. It was further noted that the terms of reference had been agreed for 5 areas and an update would be provided at a future Audit Committee.

The Chair thanked the work of the officers, PwC and KMPG in progressing the Audit Plan and the Governance Action Plan.

RESOLVED:

That the Committee noted the PwC internal audit progress report for 2017/18 and in particular the significant reduction in outstanding actions from previous years' internal audit reports.

The meeting concluded at 7.34pm