

Appendices:

0



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Chief Finance Officer Report to the Audit Committee
---------------------	--

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	8 th July 2019
Policy Document:	No
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To inform the Audit Committee about the work undertaken by the Finance team, in conjunction with the external auditors KPMG and EY in respect of the 2017-18 and 2018-19 Statement of Accounts.
- 1.2 To inform the Committee of any changes to accounting policies and Treasury Management.

2. Recommendations

- 2.1 It is recommended that the Audit Committee note:
- 2.1.1 The progress towards completing the Statement of Accounts for 2017-18 and 2018-19.
 - 2.1.2 That there have been no changes to Accounting Policies.
 - 2.1.3 That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.

3. Issues and Choices

3.1 Report Background

- 3.1.1 This report provides an overview of the current position in respect of the Statements of Accounts due for Northampton Borough Council and other accounting or treasury policy items requiring reporting.

3.2 Accounting Policy Changes

- 3.2.1 There have been no Accounting Policy changes since the last Audit Committee, nor are there anticipated to be any during 2019/20.

3.3 Treasury Management

- 3.3.1 There have been no reportable incidents, the LGSS Treasury Management Team continue to work hard to maximise the interest earned through the investment vehicles available and reduce the interest paid on borrowing where possible.

3.4 Completing 2017/18 Statement of Accounts

- 3.4.1 It is anticipated that the Statement of Accounts for 2017/18 will be presented to the Audit Committee 29 July 2019 for approval and formal signing. The progress against completion of all outstanding tasks is being monitored by the Chief Finance Officer in conjunction with the lead officer from LGSS Finance. The Portfolio Officer for Finance is also provided with regular progress reports.
- 3.4.2 There is a commitment from both the Council and KPMG to complete all outstanding work and sign-off the 2017/18 Statement of Accounts by the next Audit Committee on 29th July 2019. This will require the Financial Statements, the Annual Governance Statement and Letter of Representation to be presented and signed.

3.5 2017/18 Draft ISA260 External Audit Report

- 3.5.1 In June 2019 KPMG issued the draft ISA260 for review for factual accuracy. The Council accepted the recommendations made and is working to make improvements to the areas highlighted. KPMG will provide an addendum to the ISA260 report once the 2017/18 audit is finalised and formal management responses have been provided.
- 3.5.2 In addition, once the 2017/18 Audit is complete, KPMG will assist the Council and LGSS, through participation in a formal lessons learned exercise.

3.6 Preparation of 2018/19 Statement of Accounts

- 3.6.1 The work required to deliver the 2018/19 Statement of Accounts is underway, progress has been restricted by the work required to close 2017/18 Accounts, with the formal draft Statement of Accounts due to be presented to the Audit Committee on 29 July 2019.
- 3.6.2 The new external auditor (EY) has not yet commenced work or provided an audit plan. The expectation is that the audit of these accounts will be in Autumn 2019.
- 3.6.3 EY met with all Chief Finance Officers in Northamptonshire, along with PSAA (Public Sector Audit Appointments) to explain that they would not be conducting any audits for any of the councils within Northamptonshire due to resource issues. There is an additional complication for Northampton Borough Council and Northamptonshire County Council, with KPMG still finalising prior year audits.
- 3.6.4 Having received conflicting views as to whether KPMG finishing the prior year accounts should preclude EY from commencing audit work, they were invited to agree a position to be shared with the Audit Committee.
- 3.6.5 The following has been provided as an explanation of the limited work to date in respect of 2018/19 Statement of Accounts, by EY, in agreement with KPMG, as an explanation of their position.

“We are governed by the contract with PSAA which outlines the requirements in respect of the performance of services. Our application of that is to consider the Companies Act requirements for an auditor not to take office until the cessation of the predecessor’s appointment, as well as the Removal Regulations, where our expectation is that the predecessor will signal this by writing to the audited body to provide notice of resignation. Further, guidance from PSAA in the Terms of Appointment refer to handover protocols between auditors in the situation where the audit has been completed by the outgoing auditor”.

3.7 Choices (Options)

- 3.7.1 Although this report is just for noting, Audit Committee have the opportunity to ask questions directly to Officers on issues associated with the completion of the statutory accounts for 2017/18 and 2018/19.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 None to report.

4.2 Resources and Risk

- 4.2.1 The Council diverted significant staff resources in order to ensure that KPMG were provided with the assurance required to enable them to give their opinion on the 2017/18 statement of accounts as soon as was practicable. This has had a knock-on impact on the ability to progress the closure of the 2018/19 accounts.
- 4.2.2 However, the additional time spent on 2016/17 accounts has resulted in issues being identified and mitigated in advance of the 2017/18 accounts process.
- 4.2.3 Where improvements could not be made within the financial year 2017-18, the lessons learnt were being actioned for 2018-19

4.3 Legal

- 4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its 2017/18 Statement of Accounts, signed and with an external audit opinion.

4.4 Equality

- 4.4.1 Not applicable.

4.5 Consultees (Internal and External)

- 4.5.1 External Auditors, KPMG
- 4.5.2 External Auditors, EY
- 4.5.3 Corporate Management Board

4.6 Other Implications

- 4.6.1 None.

5. Background Papers

- 5.1 None

Stuart McGregor
Chief Finance Officer