

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 18 June 2018

PRESENT: Councillor M Markham (Chair); Councillor Oldham (Deputy Chair);
Councillors J Hill and Stone
Mr Ian Orrell (Observer)

1. APOLOGIES

Apologies were received from Councillors Marriott and Golby.

2. MINUTES

The Minutes of the meeting held on 15th January 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

There were none.

6. GOVERNANCE ACTION PLAN

Councillor Markham introduced Mr Ian Orrell to the Committee and reported that following his appointment as Independent Chair of Audit Committee, he would be attending the meeting as an observer prior to commencing the Chair at future Audit Committees.

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) and reported that there were 6 items on the plan that remained 'open', 3 of which required the delivery of training. It was explained that there would be further work monitoring Cabinet decisions, which would be reported to the Audit Committee and work was being undertaken to establish a due diligence and compliance manual. She commented that there had been extensive work carried out with regards to Risk Management and noted that one specific area that would need further work was that of Councillors.

In response to questions asked, the Governance & Risk Manager explained that further work needed to be carried out with regards to due diligence and compilation of a manual. The Chief Finance Officer commented that a loan checklist was being implemented and that there was a need to refresh and examine policies and delegations, explaining that this should not become an overly bureaucratic process. He reported that work was being carried out with the Chief Executive and Cabinet to ensure that projects could still be delivered without lengthy bureaucracy stalling decisions and a commitment to refine the process was being discussed with auditors to ensure that there was an awareness of parameters.

In response to further questions asked, the Governance & Risk Manager reported that improvements to governance had been made and risks had been reduced and noted the

importance of ensuring that processes put in place were fit for purpose.

The Senior Internal Controls Officer referred to appendix 3 and reported that there was a need to focus on areas that generate income and that work had already commenced on the reviewing the use of interims and agency staff which would followed by a review of the Management of the Establishment List/Structure Charts. It was further explained that the review of service areas could identify positive practices which could be shared with other areas.

In response to further questions, the Chief Finance Officer explained that with regards to temporary accommodation and housing, the Council delivered a number of elements but that they were not obliged to scrutinise the accounts of Northampton Partnership Homes (NPH) and the External Auditor confirmed that NPH had their own auditors in place.

RESOLVED:

- 2.1 That the Governance Action Plan Committee be reviewed.
- 2.2 That the required work identified in light of the Governance Action Plan implementation, be agreed.
- 2.3 That update reports on the implementation of the Governance Action Plan from the Borough Secretary be received at every future meeting until it determines otherwise.

7. POSITION STATEMENT ON VACANT POSTS AND INTERIM/AGENCY STAFF

The Chief Finance Officer submitted a report and elaborated thereon and noted that whilst there had been attempts to try and reduce the number of agency staff but noted that since the Unitary proposal had been tabled, there was the prospect that the number may increase. In response to questions asked, the Chief Finance Officer explained that there was no intention of increasing vulnerability of staff and noted that the majority of savings identified, would be at the upper tiers of staff structures and noted that a mixed economy would be needed and the retention of knowledge encouraged.

Members of the Committee discussed their concerns about the probable increase in the number of interims due to the uncertainty of Unitary proposals and the potential difficulties in recruiting people to a position when it would be for a limited time until the formation of Unitary Councils.

RESOLVED:

- 2.1 That the finance report be noted.
- 2.2 That efforts to reduce the number of agency and interim staff at present be noted and that as NBC head toward a Unitary environment, that it be recognised that there may be a need to increase the use of agency and interim staff.

8. STATEMENT OF ACCOUNTS 2016/17 PROGRESS REPORT

The Chief Finance Officer elaborated on a report which informed the Committee about the work undertaken by the Finance team in conjunction with the external auditors KPMG, since the last Audit Committee on the 18th January 2018 towards enabling them to issue their audit opinion on the 2016/17 Statement of Accounts. He explained that the accounts for 2016/17 had not been closed and the report outlined where and why this had not happened. It was noted that lessons had been learned and process put in place to reduce the chances

of being in a similar position in the future.

RESOLVED:

That the progress towards enabling KPMG to issue their external audit opinion of the 2016/17 accounts be noted.

9. TREASURY MANAGEMENT AMENDMENT

The Chief Finance Officer elaborated on a report that presented the Committee with a proposed amendment to the NBC Treasury Management Policy. It was noted that the amendment would allow cash held in specific reserves as part of the resource available to the Council to deliver value for money and increase 'income' from the Treasury service. The Chief Finance Officer explained that there was a need for a further report to be brought before the Audit Committee to report on the due diligence and commented that if the Committee required, the Council could facilitate a briefing session by CCLA to provide members with additional information.

RESOLVED:

That an amendment to the recommendation contained within the report be agreed as follows:

- 2.1 To consider the contents of this Treasury Management Policy Report
- 2.2 That Audit Committee supports the principle of improving income through the use of Treasury Management Policies.
- 2.3 That the Audit Committee instructs officers to refresh the proposal and bring a further report to Audit Committee in July 2018, with specific reference to due diligence and next steps.

10. INTERNAL AUDIT REPORT (LGSS)

The Audit Committee received a report that summarised the findings of LGSS Internal Audit assurance work relating to LGSS functions. There were a number of issues highlighted in the Business Rates Review Action Plan and reference was made to the Business Rates Collection. It was noted that the 2018-19 reviews had been agreed and would include:

- Housing Benefits
- IT Audit System Review of Agresso
- Accounts Receivable
- Quarterly Balance Sheet review – This would be a new review which would include elements of coverage that would normally be considered in reviews of Bank Accounts Reconciliations and General Ledger.

In response to questions asked, the Chief Finance Officer explained that the intelligent client function had been crossed back to NBC and therefore improvements would be seen and additional focus placed on contracts.

RESOLVED:

That the report be noted.

11. INTERNAL AUDIT ANNUAL REPORT (PWC)

The Internal Auditor elaborated on a report which highlighted the work that they had carried out for the year end 31 March 2018. It was reported that there were significant weaknesses or non-compliance in the framework of governance, risk management and control which put the achievement of organisations objectives at risk. Major improvements were required to improve the adequacy or effectiveness of governance and risk management and it was explained some elements of the Risk Management had been completed and noted that the Governance Action Plan was in place and was being embedded. It was explained that the Internal Auditors had reported that contract management was rated as high risk, as there were no contracts in place for all but one of the 12 suppliers with whom the Council had expenditure of over £75,000 in the period under review and that the contract register had a number of errors.

In response to questions asked, it was confirmed that there was limited contract management in place and it was noted that whilst this was not good practise, improvements were being made.

RESOLVED:

That the report be noted.

12. EXTERNAL AUDIT UPDATE

The External Auditor (KPMG) submitted a report and noted that progress had been made since the last communication in September 2017 on key issues which were outstanding. It was noted that due to the number of areas of concern and errors found, they had not been able to obtain sufficient assurance that the financial statements would present a true and fair view prior to the statutory deadline. It was reported that information that had been given to them had been not only inaccurate but wrong and of very poor quality; 9 months later it was not considered to have progressed efficiently enough to sign off.

It was noted that there were several areas of concern which included:

- a. Valuation of Council dwellings
- b. Having requested in December 2017 that the Council provide a reconciliation between the draft version of the valuers report and the fixed asset register, no reconciliation was provided, despite numerous requests.
- c. Lack of clarity on the application of uplift based on original valuations
- d. Incorrect social housing adjustment factors.

With regards to additional costs relating to additional work and ongoing delays, the Committee noted that in September 2017 the audit was likely to be £71,250. That figure had now reached over £150,000.

The Chair expressed her disappointment that the information requested by KPMG had not been supplied in a timely manner and the subsequent impact that this would have had on the overall costs of the Audit. Frustration was expressed that LGSS finance had been employed to oversee the finances of the Council and that they had not been held responsible for the financial issues and costs that the Council had incurred, which could be

partly attributed to their failings.

The Chief Finance Officer explained that there was a relationship between LGSS and the Council and that as an authority, the Council were not in the position to extract themselves and as progress with Unitary was made it would be very unwise to try and engage with another party.

Mr Ian Orrell commented that NBC were not unique in having an interdependency with LGSS and noted that there was a need for sound and robust contract management to be in place to address such issues.

RESOLVED:

That the report be noted

The meeting concluded at 7.42pm