

# **NORTHAMPTON BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

**Monday, 26 November 2018**

**PRESENT:** Councillor (Chair); Councillor (Deputy Chair); Councillors Oldham, M Markham, J Hill, Stone, T Eales and Smith

### **1. APOLOGIES**

Apologies were received from Councillor Marriott who was substituted by Councillor Smith and Councillor Golby.

### **2. MINUTES**

The Minutes of the meeting held on the 3<sup>rd</sup> September 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. INTERNAL AUDIT PLAN PRESENTATION/PROGRESS UPDATE**

The Audit and Risk Manager (LGSS) submitted a report and updated the members on the 2018/19 plan and explained that there had been a slight delay in starting planned work due to the resource issues and clarification around the scope of the Quarterly Balance Sheet Review. It was explained that one of the issues and risks evident had been that there were no procedures covering fixed assets administered by LGSS Finance on behalf of the Borough Council and there was no formal process in place to support the identification of both new assets and disposals (this is being addressed by LGSS). It was further explained that follow up work had been undertaken and that of the 18 recommendations only six of them had not been implemented.

The newly appointed Internal Auditors, BDO, submitted a report and explained the indicative Internal Audit Plan for 2018-19 and noted that to develop the plan, certain methodologies were used and included 7 different steps as set out in the report. He referred to the Internal Audit Plan priorities and noted that the terms of reference were to be issued, for the individual internal audits.

The Committee were also presented with the Internal Audit Charter by BDO for comment and agreement.

The chair commented that given the delay of the financial statements he would have expected some focus on financial management from the internal auditors. The Section 151 Officer explained to Committee Members that the role of the Internal Auditors was to inform the Corporate Management Board (CMB) of any concerns that they had and noted that they would also test that the Council were IR35 compliant if required. He stated that CMB would examine the draft budget and participate in budget monitoring and all Councillors would

have the opportunities to review it and explained it would not be presented to the Audit Committee as it would be constantly reviewed by CMB.

**RESOLVED:**

- 2.1 That the contents of the Internal Audit Plan and Audit Charter be considered, noted and approved.
- 2.2 That it be noted that Internal Audits themselves are behind the initial NBC plan, due to the process in changing Internal Auditors.

**7. UPDATE ON STATEMENT OF ACCOUNTS**

The Chief Finance Officer submitted a report updating the Committee on the progress towards completing the delivery of the statement of accounts for the financial year 2016/17. The details of the causes of the delays were detailed within the appendix, provided by LGSS, of the report. It was noted that the external auditors (KPMG) had been provided with a draft statement of accounts and once the KPMG audit team were content with the statement and the changes, KPMG would then commence their checks, which due to the Borough Council being a high risk audit would take a minimum of 4 weeks.

The Chair explained that the timetable provided in the report offered a number of options for consideration including the proposal for the Committee to delegate the actual signing of the accounts to the S151 Officer and the Chair of Audit Committee on the proviso there were no significant changes required.

Members showed preference for the option that would see the Audit Committee meeting in January 2019 whereby the S151 and the Chair of the Audit Committee sign the accounts to facilitate the signing and issuing of the Audit Opinion by KPMG which will conclude the audit.

The External Auditor explained that he had produced the most positive report to date, and that the audit should be completed by the end of December 2018 and noted that he had now received all the relevant and necessary information.

In response to questions asked, the S151 Officer explained that there had been a number of issues relating to assets, which included capacity, and noted that the department had recently had a new Head of Service and that active changes were still being considered.

**RESOLVED:**

1. That the Audit Committee meet in mid-January 2019 to allow the S151 and the Chair of the Audit Committee to sign the accounts and to facilitate the signing and issuing of the Audit Opinion by KPMG which will conclude the audit.
2. That the issues that have given rise to the delay in the production of the Statement of Accounts for 2016-17 be noted.
3. That the progress made and the revised timetable for the production and signing off of the Statement of Accounts for 2016-17 and 2017-18 be noted.

## **8. EXTERNAL AUDIT UPDATE**

The Chair welcomed the new External Auditors (Ernst & Young) to the meeting,

The External Auditor (KPMG) reported that since the last Audit Committee, they had continued to work in respect of the audit of the 2016/17 financial statements. He explained that there had been delays in receiving the information against previously agreed timelines and therefore they were not yet in a position to finalise their work and issue their audit opinion. It was confirmed that the cost of the Audit would be in the region of £300,000 to £400,000 but noted that the 2017/18 Statement of Accounts would be done relatively quickly. He further informed the Committee that they would report back on value for money as part of the ISA260 report. It was noted that they would examine the budget controls, resilience, budget monitoring and how the information is reported back to Members and the quality of decisions made.

The External Auditor (Ernst & Young) stated that they had met with the S151 officer and KPMG and explained that the process that they would adopt would be similar to that of KPMG.

### **RESOLVED:**

That the Audit Committee noted the external audit plan for the audit of the 2017/18 accounts.

## **9. GOVERNANCE REPORT UPDATE**

The Risk and Governance Manager submitted a report and elaborated thereon noting that previously a Governance Action Plan had been submitted which had, in the main been completed. It was explained that a number of areas were being focused on and referring to the corporate risks, it was noted that although one risk identified was potential 'impropriety or improper business activities leading to fraudulent activity or malpractice' it should not be considered that there was any evidence of this, but that it was identified as being a high risk area due to lack of controls in place.

The Senior Internal Controls Officer explained that with regards to the position statement on vacant posts and temporary workers, temporary workers included agency staff, temps and interims; a number of issues had been identified and work was being undertaken with the relevant managers.

The S151 officer explained that there was a need to look at resilience through partnership working and noted that the key was to ensure that the Borough Council were going through the correct process and not falling foul of IR35,

### **RESOLVED:**

That the Governance report be presented quarterly with appendices (where relevant) be agreed.

## **10. TREASURY MANAGEMENT**

The S151 Officer gave a verbal update to the Committee and explained that he had implemented the investment with CCLA as approved by Council, that this would contribute £300,000 to the budget for 2019-20.

**RESOLVED:**

That members noted the information provided.

**11. ACCOUNTING POLICIES**

The S151 Officer gave a verbal update to the Committee and explained that there were a number of pressures from the commissioners but noted that it was not felt necessary for there to be a change to the accounting policies for this year.

**RESOLVED:**

That the information be noted.

**12. RISK REVIEW AND BUDGET OPTIONS**

There were no items to be considered.

The meeting concluded at 7.47pm