

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 22 June 2020

PRESENT: Ian Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors Marriott, Stone, T Eales, Bottwood, Golby and Hibbert

APOLOGIES:

1. APOLOGIES

There were none.

2. MINUTES

The Minutes of the meeting held on 6 February 2020 were agreed as an accurate and true record of the meeting.

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. BDO INTERNAL AUDIT UPDATE

At the Chairman's invitation, Gurpreet Dulay presented the BDO Internal Audit Update. He explained that the annual plan dated from March 2020 and set out the indicative audit reviews that will be carried out throughout the year. The risk register on page 4 in the report highlighted the level of risk in each of the focus areas and outlined the risk. The Head of Service for each area in the Council had been consulted with to inform the audit plan for the year, along with the Governance and Risk Manager and the Chief Finance Officer. The draft plan had been approved by the Corporate Management Board (CMB) before the Covid-19 pandemic.

As the Covid-19 pandemic has undoubtedly caused a major impact on local authorities, the risk landscape has changed as a result of the financial challenges caused by lockdown. This would mean that some reviews may not go ahead as planned, as BDO will have additional workload to complete and unprecedented levels of staff sickness caused by the pandemic.

The internal audit progress report, which had not been updated since the report had been produced in March, showed that there were three outstanding areas in the 2019/20 audit plan. Firstly the review of asset management was almost complete, it had been drafted and BDO were awaiting to receive one response before completion. The disable facilities grant review would be completed in the next few days and the safeguarding review would need to be rescheduled given the impact of Covid-19, and BDO would arrange this with the head of the service.

Gurpreet confirmed that BDO would be on track to issue a statement of accounts in July. In terms of a sector update, IT and data protection showed a critical risk heightened by the Covid-19 pandemic which highlighted an increase in a dependence on technology for

remote working and the increased risk of cyber security and fraud risk. There was also an increased financial risk due to the unplanned spending caused by lockdown, a risk in respect of staff wellbeing and continuity arrangements as Covid-19 was unexpected and continuity plans should be refreshed to reflect lessons learnt from the pandemic and in the likelihood that a second wave should occur in the future. Gurpreet concluded that page 33 of the report was outdated and a full update would be provided at July's meeting.

In response to a question if BDO had considered the impact that Brexit, Covid-19 and the move to Unitary would have on the audit plan. BDO confirmed that a number of working days had been set aside to undertake work that would relate to the move to unitary; such as the transferral of budgets. In terms of Brexit, professional scepticism had been applied in the reviews and in the risk register, but was not a key focus area proven by the discussions with the Heads of Service or CMB. In response to whose responsibility it would be to declare the local authority safe and legal for Unitary, it was felt that the government would have the authority to determine this, but this would be clarified at a later stage. A Member asked if the Chief Executive for Northampton Partnership Homes (NPH) had been consulted with the proposed audits and it was confirmed that the Chief Executive had not been consulted with the Council had been in communication with NPH.

Members expressed that they would welcome a Members briefing on the public sector update, and that this could extend to all Councillors. The Chief Finance Officer agreed to discuss and arrange this with the Democratic and Member Services Manager.

The Chair thanked BDO for the update and shared that Members would understand the situation and would allow flexibility with the reviews given the unpredicted circumstances. He explained that there would be a need for the Chief Finance Officer and Chief Executive to review the plan and a revised audit plan would be brought before the Audit Committee at the next meeting for Members to consider and approve.

RESOLVED: That the update is noted.

ACTION: BDO to provide a revised internal audit plan and statement of accounts at the next meeting.

7. LGSS INTERNAL AUDIT UPDATE

The Chief Finance Officer presented a verbal update on behalf of LGSS. He explained that LGSS deliver assurance that their services are working well and asked the committee to note the update from March. A further update would be provided in July.

RESOLVED: That the update is noted and a further LGSS internal Audit update is presented to the Committee at its meeting on 27 July 2020.

ACTION: LGSS to provide an internal Audit update to be provided at the next meeting.

8. CHIEF FINANCE OFFICER UPDATE

At the Chairman's invitation, the Chief Finance Officer presented his update and highlighted that there were no changes to accounting policy or treasury management. The Council had received £37.374M as an initial allocation to deliver Government Grants (BEIS Grants) to local businesses through a centrally determined scheme, and this was the most notable update. The 2018/19 accounts were still being audited and would continue in October. The 2019/20 draft accounts could be ready from July, but the audit of the 2019/20 accounts would depend on when the 2018/19 accounts had been signed off.

A report had been provided to Cabinet detailing the indicative finance costs of Covid-19 and another report would be provided in July detailing the risk to this year's budget and the

contributing factors. The Chief Finance Officer explained that Council Tax payments had impacted the Council as there had been a 5% reduction in fees. The Council also faced 3 months loss of income from car park fees as lockdown had closed car parks, but the Council were still liable for managing and maintaining the car parks and utility costs. There was also the pressure of homelessness and providing accommodation for those in need. The government had provided £21,000 towards this but the Council had used £200,000 of reserves and it was hoped that further funding would be received to claim back the costs of temporary accommodation.

Members were concerned that the reserved budget was not going to meet the requirements of lockdown. They felt concern that other local authorities had served 114 notices and asked for reassurance that this would not be the case for Northampton Borough Council. Members were concerned that an influx of evictions would occur in the autumn as landlords were instructed not to evict any tenants during lockdown. In response, it was said that the housing situation would be monitored as these issues had been vocalised. In response to a question if the KPMG statement of accounts would affect Unitary, the Chief Finance Officer confirmed it would not affect Unitary as such but would be a legacy issue of the Northampton Borough Council. An explanation of the impact that Council Tax had on residents during the pandemic was requested and the Chief Finance Officer proposed that more information would be available shortly and a further update would be provided at July's meeting.

The Chief Finance Officer responded that the Council had done well to contain costs and were exploring options and initiatives available to recover reserves spent during the pandemic. He expressed that the Council would not be issuing a 114 notice in the near future, as there was plenty of avenues the Council could explore to avoid this outcome. A report would be brought to Cabinet outlining this and options available to the Council to make in-year savings or obtain funds from reserves earmarked for projects.

The Chair questioned the Chief Finance Officer on how the Council was communicating with the government. The Chief Finance Officer responded by confirming there was two streams of communication, one stream was through district and borough treasurers and the other was countywide through the commissioners and shadow authority as a poor financial position would make it difficult to launch into Unitary. The Chair followed up his question with a supplementary on the impact of the Covid-19 pandemic on local business. The Chief Finance Officer shared that Kevin Langley, the Economic Growth and Regeneration Manager, was currently looking into the impact on the local economy. As Councillor Eldred reported at the last Cabinet meeting, 260,000 grants and £34m in business rate relief had been awarded to businesses to support them during this uncertain period. A discretionary fund of £1.7m had been created for those businesses who did not meet the criteria, for example if they were a business that existed within a building that had to close as a result of the pandemic. The Council was proactive in demonstrating support for business and a resource was available to signpost businesses for further guidance. Fortunately, in Northampton, the economy is varied so is not reliant on one form of business and this would enable the economy to bounce back faster as initiatives were being looked into to help support the return of businesses after the Covid-19 crisis.

The Chair read out the recommendations and asked Members to note the report.

RESOLVED: That:

- 2.1.1 The progress towards completing the Statement of Accounts for 2018-19 and 2019-20 is noted.
- 2.1.2 The risks to the 2020-21 budget is noted

2.1.3 It is noted that that there have been no changes to Accounting Policies.

It is noted that there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.

9. EY EXTERNAL AUDIT UPDATE

At the Chair's invitation, Steve Clark from EY delivered a verbal update to the committee. He explained that the audit process had been developed over time and a level of work had been undertaken and EY had encountered challenges with LGSS which they had raised with the Council. In addition to this, there had been capacity issues at EY with colleagues taking long-term absence. EY hoped to return in October to complete the audit of the 18/19 accounts. So far 1900 hours had been spent on the audit and it was estimated that it would take a further 1700 hours to finalise the audit, if timely supporting evidence was provided to speed up the process. As the Council moved towards reorganisation, EY confirmed there was capacity to undertake the 19/20 and 20/21 accounts.

The Chief Finance Officer explained that the increase in fee costs needed to be resolved with EY and a fast close down of the 20/21 accounts would take place before Unitary.

Steve Clark reiterated that the fees issue was not straightforward as EY had spent a period of time familiarising themselves with the Council and their accounts whilst taking over from KPMG. It was hoped the matter would be resolved as soon as possible.

Members were concerned that there was an issue with fees that needed to be resolved and the external auditors needed to deliver the service to the Council with the pressure of the move to Unitary. The Chair agreed with the Chief Finance Officer that an update on the external audit plan would be provided at the next committee meeting.

RESOLVED: That the External Audit Update is noted.

ACTION: Update on the External Audit plan to be brought to the next meeting.

10. GOVERNANCE REPORT

The Governance and Risk Manager presented the report and explained that the corporate risk register had been rolled over from March and refreshed. The Senior Management team had been consumed with responding to the Covid-19 pandemic which called for their urgent response with the tactical and strategic groups set up to address the pandemic. A further update would be provided at July's meeting, including the number of temporary workers.

Two items had been added to the risk register, this included an item on sustainability given the climate change emergency that had been declared and the impact of the loss of LGSS services. The Governance and Risk Manager explained that page 51 highlighted the last audit benchmarking on GDPR, and David Taylor, the Data Protection Officer had been consulted and had not expressed any concern in terms of GDPR.

Members expressed concern that temporary staff was not cost effective and asked who decided whether to recruit fixed term or agency staff. The Chief Finance Officer confirmed that it depended on the nature of the role and if it was a statutory role the Council would need to recruit immediately to fulfil their statutory duty. With the move to Unitary, less permanent staff would be recruited and temporary workers would be needed to undertake fixed term assignments.

A question surrounding business grants and the slow response of the Council to release grant funding was raised and the Chief Finance Officer responded by explaining that the

Borough was presented with £37m of funding that needed to be distributed, and the Council's gross budget was only £30m. The Council was instructed to pay businesses by reversing direct debit payments, but this raised the problem of issuing refunds to businesses who did not pay by direct debit. A process was put into place to assess and pay businesses as a portal was created to issue these refunds with pre-checks to prevent fraudulent activity. LGSS and BDO assisted with building and testing the portal to ensure consultancy and strong governance had taken places to ensure the process was robust before being put into practice.

RESOLVED:

- 2.1 That the Committee noted the Governance Report.
- 2.2 That the Governance report continues to be presented to the Committee quarterly with appendices where relevant.

ACTION: Updated governance report to include the use of temporary workers would be brought to the next meeting.

The meeting concluded at 7:46 pm