

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 23 September 2019

**PRESENT:** Councillor Oldham (Deputy Chair in the Chair), Councillors M Markham, Golby, J Hill, Marriott, Stone and T Eales

**APOLOGIES:** Ian Orrell

### 2. MINUTES

The Minutes of the meeting held on 29 July 2019 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 TRACKER 2018-19

The Chief Finance Officer submitted a report, which provided an update on the progress of the external audit.

The Audit Committee reviewed the Audit Tracker. In response to a question around changing provisional completion dates, the Chief Finance Officer explained that they had been changed with the agreement of BDO; the original dates were considered over-ambitious.

### RESOLVED:

1. The Audit Committee was satisfied with the contents of the BDO Internal Audit Tracker and its contents.

### 7. CHIEF FINANCE OFFICER UPDATE

The Chair invited the Chief Finance Officer to present his report to the Committee. The Chief Finance Officer stated that the Council was in between external auditors; KPMG had nearly completed its audit and EY would begin the 2018/19 audit once KPMG had completed its handover. It was anticipated that this would begin in early November 2019. The Chief Finance Officer advised that auditors nationally had suffered from resourcing issues – two fifths of statement of accounts were not signed off by the Government's target date of 29 July 2019. The second part of the audit would be the Housing benefit Subsidy Claim, this was due to be undertaken by EY, however they lacked the resources to do it, so this would be done by KPMG. There was a risk that if the subsidies were not audited, the DWP would not pay the Council's administration claim. EY had agreed that KPMG undertakes this specific piece of work for 2018/19 and 2019/20. KPMG would also be undertaking an audit of Capital Pooling Receipts.

Responding to a question, the Chief Finance Officer explained that these audits must be completed by external auditors; BDO were used by NBC as internal auditors so a separate body was needed for this.

**RESOLVED:**

1. Progress towards completing the Statement of Accounts for 2017/18 and 2018/19 was noted.
2. That there had been no changes to Accounting Policies was noted.
3. That there had been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management was noted.

**8. STATEMENT OF ACCOUNTS 2018-19 (DRAFT)**

The Chair invited the Chief Finance Officer to present the Statement of Accounts for 2018/19.

In response to questions asked relating to the General Fund budget, the Chief Finance Officer explained that the budget had increased over the year due to Government funding for various projects. He explained that the main overspend in the Environmental Services contract in 2018/19 related to grass-cutting; when the contract was formed it did not anticipate the number of cuts that would be required. The loss of income through recycling was an issue for 2019/20.

Councillor Stone expressed concern around the Environmental Services contract, elaborating that anomalies were starting to appear and that things were missed from the contract, graffiti removal for example, and asked for assurance that it would be subject to an external audit.

Councillor M Markham confirmed that a mapping exercise was underway to determine which grass areas in the borough belonged to NPH and which belonged to NBC.

Councillors noted that £2m had been budgeted for “catch-up” works at the beginning of Veolia’s contract but questioned where the additional £300,000 spend came from. The Chief Finance Officer advised that he would clarify with officers and provide an answer outside of the meeting. He confirmed that BDO would be auditing the Environmental Services contract as part of their 2019/20 audit. Councillor Marriott asked if the Committee could have sight of the scope of the Environmental Services contract audit; the Chief Finance Officer felt this could be possible and advised that it was a “controls and processes” based audit and that questions around outcomes and performance were best put to the Overview and Scrutiny Committee.

In response to questions, the Chief Finance Officer explained that a portion of the HRA receipts had to go back to central Government and the remainder must to be re-allocated within 3 years or the Council would lose it. He explained that the Council was working closely with NPH to ensure that deadlines were being met so the receipts did not have to be paid back. Now that the cap on HRA receipts had been lifted, the Council was able to work to a more ambitious programme.

The Chief Finance Officer explained that the Council would suffer a temporary loss in homes through Right to Buy, however redevelopment was taking place in the town; Centenary House, formerly Overslade House, had been converted from 60 unusable properties to 40 high-quality apartments. He noted that Berkeley House would represent a net gain once completed.

Regarding the Collection Fund accounting, the Chief Finance Officer explained that the Council had an aspirational collection target with monies collected from NNDR and council tax. Any monies over-collected would be released back to the relevant parties. There had been discussions with commissioners who hoped that funds could stretch to a degree but since the Council only get a small portion of incoming monies, if a mistake was made then funds would be limited. This was not a risk but would hamper collections.

Councillor Stone asked if issues regarding the County Council and the Collection Fund had been resolved. The Chief Finance Officer stated that it had, and the Council would be taking a prudent view as to what would be collectible.

In response to further questions, the Chief Finance Officer explained that the increase in officers paid over £50K was due to banding structures (spine point and inflation increases). He commented that pension payments for senior officers remained at the standard rate. In respect of the one off restructure costs, that the figures would be comparable to that of central government; however, central government officers actually might receive a package of that size whereas in local government the values include pension strain, not just the actual redundancy paid.

It was explained that recruitment had taken place in the Assets, Economy and Culture Departments, but interims were needed to cover vacancies while recruitment took place. The Chief Finance Officer added that this area was being looked at by the Council's internal auditors.

Regarding the St James Link Road, it was explained that the required funding increased from £2 million to £4 million; it had been removed from the programme but remained an aspirational project.

Councillor Stone asked whether Brexit would impact on projects that benefitted from EU funding, such as the Vulcan Works. In response it was explained that the relevant Head of Service had enough grant funding, therefore Brexit should not compromise the Vulcan Works project.

The Chief Finance Officer explained that EY would be officially beginning its work the next day (24th September 2019) and that the full draft Statement of Accounts would be published on the same day

Councillor Stone referred to page 167 of the Statement of Accounts and referred to the "bad debt provision". The Chief Finance Officer advised this was a set piece of all accounting industries. The provision would depend on the nature of the debt. He further stated that the Council was understanding when it came to personal debt and worked closely with NPH to manage this.

**RESOLVED:**

1. The progress towards completing the Statement of Accounts for 2017-18 and 2018-19 is noted.
2. That there had been no changes to Accounting Policies is noted.
3. That there had been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies is noted.

The meeting concluded at 6:48 pm