



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Chief Finance Officer Report to the Audit Committee</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	<b>14 December 2020</b>
<b>Policy Document:</b>	<b>No</b>
<b>Directorate:</b>	<b>Chief Finance Officer</b>
<b>Accountable Cabinet Member:</b>	<b>Cllr Brandon Eldred</b>

### **1. Purpose**

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- 1.1 To inform the Audit Committee about the work undertaken by the Finance team, in conjunction with the external auditors EY in respect of 2018-19 and 2019-20 Statement of Accounts.
- 1.2 To provide an update on the revised Internal Audit Programme to be undertaken by BDO.
- 1.3 To inform the Committee of any changes to accounting policies and Treasury Management.

### **2. Recommendations**

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- 2.1 It is recommended that the Audit Committee note:
  - 2.1.1 That there have been no changes to Accounting Policies.
  - 2.1.2 That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.
  - 2.1.3 To note the costs as reported in respect of KPMG as per section 3.8.

### **3. Issues and Choices**

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#### **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 2020/21.

#### **3.3 Treasury Management**

- 3.3.1 This is covered separately on the agenda at this meeting.

#### **3.4 Completing 2019-20 Statement of Accounts**

- 3.4.1 The draft Statement of Accounts were provided to the Committee at its meeting on 26 October 2020. There is a separate item on the agenda that will provide an update in respect of the likely audit timetable.

#### **3.5 Audit 2018-19 Statement of Accounts**

- 3.5.1 There is a separate item on the agenda that will provide an update in respect of progress made.

#### **3.6 Internal Audit Programme**

- 3.6.1 There are separate items on this agenda that provide Internal Audit updates by BDO as the Internal Auditor and LGSS IA in respect of services provided by LGSS and/or its successor providers.

#### **3.7 Budget Update 2020-21**

- 3.7.1 The latest Budget Monitoring update has been provided to Cabinet on 11 November 2020 ([Cabinet Report - Budget Monitoring November 2020](#)). This identified a revised forecast outturn position on budget. This is as a result of grants received to support the Covid related cost pressures and loss of income previously highlighted as a risk to the budget.
- 3.7.2 The next report will be presented to Cabinet on 16 December 2020. The work toward this report indicates a continuation of the balanced budget position.

3.7.3 The Council continues to review costs and grants available to support its Covid19 activities whilst maintaining day to day services.

### **3.8 KPMG Costs**

3.8.1 KPMG have asked that we report to the committee the latest bill approved for 1 April 2020 to 30 October 2020 is £17.5K.

3.8.2 This brings the total cost of processing the objection to the 2015-16 accounts to £160K (KPMG costs and associated disbursements), with further costs anticipated until its completion/outcome. These costs and the objection relate to the Sixfields Loan and ongoing review by KPMG.

### **3.9 Choices (Options)**

3.9.1 Although this report is just for noting, Audit Committee have the opportunity to ask questions directly to Officers on its content, these may be responded to as written answers outside of the meeting.

## **4. Implications (including financial implications)**

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### **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 EY were provided with the required information to enable them to give their opinion on the 2018-1918 statement of accounts as soon as was practicable. This has had a knock-on impact on the ability to progress the closure of the 2019-20 accounts.

4.2.2 There is a risk that improvements could not be made within the financial year 2019-20, if any arise from the audit of 2018-19 due to the timing of the audit itself. These will be actioned for 2020-21.

4.2.3 The Council has mitigated the risk of failing to deliver Housing Benefit Subsidy Claims on time, through continuing to use an alternative audit provider, KPMG.

4.2.4 There continue to be unbudgeted costs associated with the 2015-16 objection to the accounts relating to the Sixfields Loan.

### **4.3 Legal**

4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its draft 2019-20 Statement of Accounts and publishing for public scrutiny.

4.3.2 There remains an outstanding audit objection to the 2015-16 accounts which is being progressed by KPMG. Which is likely to conclude with a form of public report which will be brought to the Audit Committee.

### **4.4 Equality**

4.4.1 Not applicable.

### **4.5 Consultees (Internal and External)**

4.5.1 External Auditors, BDO

4.5.2 External Auditors, EY

4.5.3 Corporate Management Board

### **4.6 Other Implications**

4.6.1 None.

## **5. Background Papers**

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5.1 None

**Stuart McGregor**  
**Chief Finance Officer**

## INTERNAL AUDIT – Summary Update

## Progress update 2018-19 &amp; 2019-20 BDO Internal Audits

The following provides a summary update on progress in resolving recommendations from 2018-19 and 2019-20.

18/19

Audit	No. red	No. complete	No. outstanding		No. amber	No. complete	No. outstanding
Procurement	2	2	0		4	3	1
Digital Strategy	0	0	0		2	2	0
Member Officer Protocol	0	0	0		12	10	2
Housing Rents	0	0	0		0	0	0
Temporary Accommodation	3	3	0		6	6	0
Major Capital Projects	1	1	0		6	6	0
People	7	7	0		4	4	0
Building Control	0	0	0		6	6	0
Senior management restructure	0	0	0		4	4	0
Cash Handling	3	3	0		3	3	0
<b>TOTAL</b>	<b>16</b>	<b>16</b>	<b>0</b>		<b>47</b>	<b>44</b>	<b>3</b>

Total number of recommendations	63	100.0%	0.0%		93.6%	6.4%
Total outstanding	3					
% outstanding	5%					

19/20

Audit	No. red	No. complete	No. outstanding		No. amber	No. complete	No. outstanding
Planning & S106	0	0	0		2	2	0
Enterprise Zone	0	0	0		7	7	0
GDPR	1	0	1		1	1	0
Health & Safety	2	2	0		4	4	0
Contract management	0	0	0		1	0	1
Cyber	0	0	0		3	1	2
Asset Management	8	6	2		6	0	6
Disabled Facilities Grant	9	8	1		1	1	0
			0				0
<b>TOTAL</b>	<b>20</b>	<b>16</b>	<b>4</b>		<b>25</b>	<b>16</b>	<b>9</b>

Total number of recommendations	45	80.0%	20.0%		64.0%	36.0%
Total outstanding	13					
% outstanding	29%					

Recommendations that relate to provision of training for officers or councillors will be closed for the purpose of NBC Internal Audit and the recommendations provided to the relevant workstreams with a view to improving awareness in the new authority, e.g. those relating to Officer/Member Protocol and Procurement.

## Progress update 2020-21 BDO Audit Programme

Name of Review	Proposed Audit Dates	Days in Plan	Progress
Capital Projects	12-21 Aug 2020	15	Fieldwork has been completed and the report in progress
Climate Emergency	2-6 Nov 2020	12	Scoping call conducted, terms of reference updated and issued to NBC for confirmation.
HMO Licensing Enforcement	14-18 Dec 2020	20	Terms of reference has been agreed
Licensing	16-20 Nov2020	10	Scoping call conducted, terms of reference updated and issued for agreement.
NPH Service Level Agreement	9-13 Nov 2020	20	Service reviewing Terms of Reference
Social Lettings Agency	5-9 Oct 2020	15	Terms of reference has been agreed, opening meeting conducted to agree documentation to be provided.
Follow up	Ongoing	7	Follow up trackers issued and monitored on a regular basis