

**Appendices:**

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**NORTHAMPTON**  
**BOROUGH COUNCIL****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>	24 August 2020
<b>Policy Document:</b>	No
<b>Directorate:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	Cllr Brandon Eldred

**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 The progress towards completing the Statement of Accounts for 2019-20.
  - 2.1.2 That there have been no changes to Accounting Policies.
  - 2.1.3 That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.

2.1.4 That subject to Cabinet approval, a request will be made to Council in September 2020 to increase HRA borrowing and budget by £50M to enable the pursuit of further housing schemes.

2.1.5 The revised Internal Audit programme as per paragraph 3.5 and contained in the appendix to this report.

### **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 There have been no reportable incidents, the LGSS Treasury Management Team continue to work hard to maximise the interest earned through the investment vehicles available and reduce the interest paid on borrowing where possible.

3.3.2 A request was made to Cabinet 19 August 2020 to approve a request to be made to Council to increase the HRA borrowing and budget by a further £50M. This provides budget cover, but not scheme approval, all major schemes still require a full business case to be prepared and submitted to Cabinet for formal approval.

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

3.4.1 The draft Statement of Accounts will be provided prior to or at the meeting for noting and initial signing by the CFO and Chair. These will then be published as draft accounts for public scrutiny.

3.4.2 As there are likely to be further technical changes to the accounts a further draft set will be prepared prior to EY commencing their formal audit. Until the Accounts for 2018-19 are fully audited and signed off, the opening balances and related transactions can only be provisional at this time.

3.4.3 In respect of the proposed audit fee for 2018-19 Statement of Accounts, it has been agreed with the Auditor, EY, that as the increase is material, the Council will raise an issue with PSAA (the organisation that manages the external audit contracts) with a view to seeking arbitration.

### **3.5 Internal Audit Programme**

- 3.5.1 As a result of resource constraints due to services delivering services and solutions to support the Council's response to the Covid Pandemic, in conjunction with the use of BDO to provide assurance support to the processing of c£34M of BEIS Business Grants. The Internal Audit programme for 2020-21 has been revisited and revised to focus on key reviews that can be delivered within the remainder of this financial year.
- 3.5.2 The amended programme has been agreed and signed off by the Head of Internal Audit (BDO), the Chief Executive Officer (CEO) and the Corporate Management Board (CMB). The revised programme is attached as an appendix for the committee to note.

### **3.6 Budget Update 2020-21**

- 3.6.1 The latest Budget Monitoring update has been provided to Cabinet on 19 August 2020. This identifies a forecast overspend of £1.434M.
- 3.6.2 The forecast assumes £0.954M will be provided by Government as grant for loss of income through fees and charges for the first quarter of 2020-21. The forecast may improve when more complete details of this grant scheme are received.
- 3.6.3 The Council has received a third tranche of non-ringfenced grant as reflected in the table below.
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|----------------|--|
| Tranche One:   | £0.120M non ringfenced funding [From Govt. first £1.6Bn]                     |
| Tranche Two:   | £2.239M non ringfenced funding [From Govt. second £1.6Bn]                    |
| Tranche Three: | <u>£0.437M</u> non ringfenced funding [From Govt. third distribution £0.5Bn] |
| TOTAL:         | £2.797M  |
- 3.6.4 Additional specific grants are still being sought, if they materialise, this may also reduce the overspend projected.

### **3.7 LGSS Update**

- 3.7.1 As previously reported, the owners of LGSS; Northamptonshire County Council (NCC), Cambridgeshire County Council (CCC) and Milton Keynes Council (MKC) are continuing to progress their plans to realign how LGSS operates and the services it provides to clients, such as Northampton Borough Council.
- 3.7.2 As a client the Council will continue to receive the services it currently purchases either through the proposed lead authority model, or directly from NCC as a legacy service. It is understood that LGSS/Owners are currently consulting with staff on the proposals, which includes repatriation of some staff and a redesign of how the Lead Authority Model will operate going forward. As a client, Northampton Borough Council are not privy to the full details, but are provided

with assurances that all services purchased will continue to be delivered until vesting day (1 April 2021) when the new West Northants Council forms.

### **3.8 Transition to Unitary**

- 3.8.1 The Programme has a workstream dedicated to ensuring good governance arrangements exist to enable migration from the constituent councils to the new Unitary Council.
- 3.8.2 This includes a Shadow Administration (Council, Cabinet, Audit Committee, Overview and Scrutiny Committee) which has representation from Northampton Borough Council.
- 3.8.3 The Borough Council is currently undertaking an internal 'housekeeping' programme to ensure that electronic and paper records are cleansed, ensuring only one version is retained for archiving.
- 3.8.4 Council Officers are working with Programme / Projects in respect of all services and how they will transition in an orderly and appropriate manner. The collective Leaders and Chief Executive Groups receive regular updates on progress in addition to the published public Future Northants reports.

### **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 issues associated with the completion of the statutory accounts for 2018-19 and 2019-20, in addition to any other items included.

## **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 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.

### **4.3 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**

## REVISED INTERNAL AUDIT PROGRAMME 2020-21

The following represents the revised Internal Audit plan to be delivered by BDO during 2020-21, this revision has been driven by the reduction in capacity within services, as a result of Covid19. In addition to the use of BDO to support the payment of BEIS Business Grants, impacting on the time remaining to deliver the programme.

Area	Days	Timing	Risk Register Reference and colour coded per your register	Description of the Review	Reason for Inclusion
<b>2020/21</b>					
<b>HMO Licensing &amp; Enforcement</b>	20	Q2	14	<ul style="list-style-type: none"> <li>Assess how the Council are managing and promoting licensing for HMOs and how licenses are allocated to private rented housing landlords</li> <li>Review how the HMO enforcement department enforce local standards and manage cases of non-compliance</li> <li>Review the collection of civil penalties and assess whether the Council are undertaking appropriate measures to collect income</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Discussions with senior management raised this area that should be addressed as part of the internal audit plan</li> <li>The Council have a statutory duty to ensure HMO's are licensed and penalties are enforced to uphold legislative responsibilities</li> </ul>
<b>Licensing</b>	10	Q2	14	<ul style="list-style-type: none"> <li>This is linked but separate to the review above</li> <li>Review procedures for issuing licenses and assess whether they are compliant with regulatory requirements</li> <li>Sample test licenses issued with an emphasis on taxi licenses</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Discussions with senior management raised this as an area of risk</li> <li>Corporate risk register identifies licencing as part of the safeguarding risk regarding the Council's duty owed to vulnerable adults and children</li> </ul>
<b>Climate Emergency (Environment)</b>	12	Q3	18	<ul style="list-style-type: none"> <li>Assess the Council's arrangements for managing climate change/reducing emissions in the Borough from a corporate level (high level)</li> <li>Compare Council's arrangements to other authorities</li> </ul>	<ul style="list-style-type: none"> <li>The Council have recently declared a climate emergency</li> <li>This is a high risk across local authorities based on current public views and the growth of groups such</li> </ul>

				that have declared a climate emergency	as Extinction Rebellion	
<b>Northampton Partnership Homes (NPH) Service Level Agreement</b>	20	Q1	8	<ul style="list-style-type: none"> <li>We will review the Council's communication and interaction with NPH as well as the effectiveness of the monitoring of the SLA</li> <li>We will review the information that the Council receive from NPH and assess whether it is adequate</li> <li>We will review the SLA to the Articles of Association</li> </ul>	<ul style="list-style-type: none"> <li>NPH provide a number of the Council's key services including building homes and managing the HRA account</li> <li>Discussions with senior management raised this area that should be addressed as part of the internal audit plan</li> <li>Management of contractual partnerships with NPH and other partners are a moderate risk on the risk register</li> </ul>	
<b>Capital Projects</b>	15	Q3	1, 5	2	<ul style="list-style-type: none"> <li>We will take a deep dive into the Delapré Abbey and Museums projects to assess whether they were managed adequately</li> <li>We will deploy a project management specialist to assess whether the projects as a whole were managed effectively</li> </ul>	<ul style="list-style-type: none"> <li>Discussions with senior management raised this area that should be addressed as part of the internal audit plan</li> <li>These have been major capital projects for the Council which have suffered either budget or time overruns</li> </ul>
<b>Social Lettings Agency</b>	15	Q2			<ul style="list-style-type: none"> <li>Review how the Council identifies empty properties</li> <li>Assess the up-take of the Deposit Bond Scheme and whether the Council are effectively utilizing this to reduce the number of empty properties</li> </ul>	<ul style="list-style-type: none"> <li>Discussions with senior management raised this area that should be addressed as part of the internal audit plan</li> </ul>
<b>Unitary</b>	22	All	11		<ul style="list-style-type: none"> <li>We will support the Council on Unitary plans and advisory work requested from the Council are vesting day approaches</li> </ul>	<ul style="list-style-type: none"> <li>This is the largest change facing the Council and will have a significant impact on its delivery of services</li> <li>The Council have requested that we save days in the audit plan for Unitary work</li> </ul>
<b>Management Time</b>	20	All	All		This includes all planning, liaison and management of the Internal Audit contract including preparation of internal audit opinion and attendance at all Audit Committees	
<b>Scoping &amp; Follow Up</b>	13	All	All		BDO had scoped some Internal Audits, that will not now be conducted. (5 Days) BDO will follow up on all Medium and High recommendations made and report these to the Audit Committee. This will be completed prior to each Audit Committee (7 Days)	
<b>Total</b>	<b>146</b>					