



AUDIT COMMITTEE REPORT

Report Title	Chief Finance Officer Report to the Audit Committee
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	25 March 2021
Policy Document:	No
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 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 inform the Committee of any changes to accounting policies and Treasury Management.

2. Recommendations

- 2.1 It is recommended that the Audit Committee note:
 - 2.1.1 The progress towards completing the Statement of Accounts for 2018-19 and 2019-20
 - 2.1.2 That there are two 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.

3. Issues and Choices

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 are two changes to Accounting Policy, these result from recommendations/requirements by External Audit, these are both reflected in the revised Statements of Accounts for 2018-19.
- 3.2.2 There is a change to the Council's MRP (Minimum Revenue Provision) relating to loans and the requirement to provide MRP for the capital element during the life of the loan, rather than make no provision on the basis the capital will be repaid on maturity.
- 3.2.3 Third party loans – Under statute the payment of the loan to a third part for capital purposes will treated as capital expenditure and will increase the Council's Capital Financing Requirement (CFR). The expenditure will normally be financed by the third party loan principal repayments being treated as capital receipts and applied to reduce the Council's CFR. As a result, MRP will not generally be required to be charged in relation to loans to third parties. The Council will review the individual circumstances of each third party loan on an annual basis to assess the risk that the loan will not be repaid. If the Authority considers that some or all of the loan may not be repaid, it will make plans to make financial provision for the potential losses that may arise from non-repayment of the loan principal which may include charging MRP, setting aside capital receipts or building revenue reserves that will be applied to reduce the CFR at an appropriate time based upon prudent assessment.
- 3.2.4 There is a change to how the Council recognises its Treasury investment in CCLA, which is a property fund.
- 3.2.5 The change of policy for the CCLA Investment alters the line within the Comprehensive Income and Expenditure Statement that any valuation movements are recorded on. This continues to have no impact on the revenue outturn as the valuation gain or loss is still adjusted via the Movement in Reserves Statement to an Unusable Reserve. Gains and losses on this investment would only impact on General Fund balances if the investment was redeemed.
- 3.2.6 Neither change has any direct impact on the General Fund budget, but represent accounting presentational changes requested by the External Auditor

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 The Treasury information is part of the structured handover to WNC, the additional assurance for the Committee is that the current Treasury Manager also provides the service to the County Council and will transition to the new West Northamptonshire Council.

3.4 Completing 2019-20 Statement of Accounts

- 3.4.1 The revised Statement of Accounts for 2018-19 are provided as a separate agenda item. The Committee are reminded that as a result of the amendments required by Auditors, there will be a subsequent impact on the draft Statement of Accounts for 2019-20.
- 3.4.2 The Statement of Accounts for Northampton Borough Council for 2019-20 and 2020-21 will be completed by West Northamptonshire Council as the successor authority. The Closedown Team will continue to support the completion of these accounts and handovers are taking place with the new WNC AD Finance responsible.

3.5 Internal Audit Programme

- 3.5.1 The final Internal Audit updates from BDO are elsewhere on this agenda. All Internal Audit Reports for 2018-19 to 2020-21 will be handed over to the WNC Executive Director Finance for information. Remaining actions will be taken forward for consideration by WNC as part of the structured handover process.
- 3.5.2 We wish to record our appreciation for the professional work BDO has delivered in respect of the Internal Audit programme and service, during our contract with them, particularly in mobilising at short notice to assist in the governance and control processes the Council needed to implement to support the initial Covid Business Grant distributions.

3.6 Budget Update 2020-21

- 3.6.1 The latest Budget Monitoring update has been provided to Cabinet on 3 March 2021 ([Cabinet Report - Budget Monitoring March 2021](#)) This identified a forecast underspend of £0.278M.
- 3.6.2 The final Outturn position for the Council will be reported by West Northamptonshire Council.

3.7 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)

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.

4.3 Legal

- 4.3.1 The actions proposed in this report will enable the Council to meet its statutory requirements of finalising its 2018-19 Statement of Accounts and amending the draft 2019-20 Statement of Accounts to prepare them for audit.

4.4 Equality

- 4.4.1 Not applicable.

4.5 Consultees (Internal and External)

- 4.5.1 Internal 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

5.1 None.

Stuart McGregor
Chief Finance Officer