

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 18 March 2019

PRESENT: Councillor Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors M Markham, J Hill, Marriott, T Eales and Smith

APOLOGIES: Councillor Danielle Stone

2. MINUTES

The Minutes of the meeting held on 28 January 2019 were confirmed and signed by the Chair as a true record including the amendment of Councillor T Eales being marked as present.

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. EXTERNAL AUDIT UPDATE

The External Auditors, KPMG expanded on the report indicating they had completed the 2016/17 audit since the previous meeting, which included issuing an unqualified accounts audit opinion. They would be issuing a qualified value for money (VFM) conclusion and their 2016/17 Annual Audit Letter. They were in the process of agreeing a fee variation with the Authority to cover the costs of the additional audit work.

They had revised their audit plan with finalised 2016/17 figures and revised materiality. They had begun additional work on the Authority's IT systems to support the 2017/18 audit. While they were following up on queries fixed assets had been given a clean bill of health. They had completed their work on the Pensions liability with no significant findings after the actuaries had considered it.

The External Auditors, KPMG presented the headlines for the 2017/18 audit planning. Regarding materiality, all misstatements above £45,000 would be reported to the Committee. All of the previously reported significant risks remained unchanged. They reported significant VFM risks regarding the Governance Action Plan, the Northampton Town Football Club loan and the wider loans system, the financial resilience in the local and national economy, the off-payroll working through an intermediary (IR35) and the Chief Executive payment.

The External Auditors, KPMG explained they had already incurred additional costs for the 2017/18 audit fee as a result of the high risk nature and significant risks. They were considering the draft accounts and it was hard to predict when the audit would be completed.

RESOLVED: That the Audit Committee noted the External Audit progress report, March 2019.

7. INTERNAL AUDIT PROGRESS UPDATE AND 2019/2020 PLAN

The Internal Auditor, BDO explained they had removed Audit 3, Corporate Fraud following discussions with management and were doing additional testing on Audit 9, Cash Handling and Audit 10, Procurement.

The Chief Finance Officer was pleased that so many audits could be planned and he welcomed the progress made against delivery of the Internal Audit Operational Plan 2018/19.

The Internal Auditor, BDO explained that the conclusion of the remaining nine audits would be reported at the next committee meeting. Any risks would be covered in the reports summary but the individuals involved would be safeguarded.

Regarding Audit 2, Member/Officer Relationships the Internal Auditor, BDO explained 24 Officers and 11 Members had responded to the survey. Areas of good practice included the Constitution which set out the anticipated roles of Members and Officers. The Executive Programme Board provided space for robust discussions between members of the Cabinet and senior officers. The meeting had a positive energy with officers thanked for their contributions and a tone which indicated a positive working relationship.

The Internal Auditor, BDO indicated areas for improvement included building on current definitions of member and officer roles, bringing these to life more clearly through example-based scenarios. The member/officer protocol should be updated to include a clear process for officers to make complaints about members conduct.

The Chief Finance Officer believed that updating the member/officer protocol would address 90% of the recommendations.

In response to a questions the Internal Auditor, BDO explained they were conducting a People audit which would encompass exit interviews. They would also expect to see a healthy level of tension between officers and members but there were aspects that could be improved. Ensuring the customer service centre worked more effectively could alleviate some tensions.

The Internal Auditor, BDO then presented their Internal Audit Plan and Charter 2019/20. 15 audit days had been held and he sought views on which audits were considered less of a priority. He indicated that a Section 106 review along with a review on Unitary Status could be added to the plan.

The Chief Finance Officer requested that the Committee gave him delegated authority to amend the Internal Audit Plan 2019/20. He indicated that he wanted to remove 5 audit days from the Safeguarding and Corporate Plan Progress audits along with 5 days from either the GDPR or Cyber audit. This change would provide 2 audit days per month creating a capacity for a unitary status audit. Members welcomed the focus on unitary status and were content with the proposed changes to the audit plan.

The Internal Auditor, LGSS presented his report explaining in terms of the debt recovery process a gap of seven weeks existed between the last reminder being generated and officers reviewing the debt. In respect of the write offs, his review highlighted that the procedure was not always followed in practice. He explained that 3 reviews had been followed up with only one action remaining outstanding.

The Chairman asked the Internal Auditor, LGSS to report back to the Committee on the debt performance. The Internal Auditor, LGSS indicated that it would be included in the next audit report because the process needed to be agreed.

The Governance and Risk Manager indicated that the Fixed Assets Audit could be started

sooner than originally planned.

RESOLVED: That the Audit Committee:

- 1. Agreed to delegate authority to the Chief Finance Officer to amend the BDO Internal Audit Plan 2019/20 as discussed and to update the Committee accordingly; and**
- 2. Noted the update on work undertaken including the planned LGSS internal audit coverage that would be undertaken for the Council during 2019/20.**

8. FINANCIAL MONITORING REPORT

The Chief Finance Officer expanded on the report explaining that the general fund was overspent by £1.5m which would be covered by funding in reserves. The over spend had been caused by the pressures regarding temporary accommodation and homelessness. Staffing levels had been increased in those areas to lessen the pressure. All other pressures listed were considered as business as usual.

In response to a question the Chief Finance Officer explained that the general fund capital budget changes listed in Appendix 1 were predominantly down to re-profiling expenditure into a different financial year. The St James Mill Link Road has not listed in the 2018/19 programme and was not currently listed in the 2019/20 programme by could be added if required.

In response to a question the Chief Finance Officer explained that Section 106 funding was ring-fenced to specific projects or programmes. It was clarified that S106 requirements were pre-conditioned in the planning application.

RESOLVED: That the Audit Committee:

- 1. Considered the contents of the Finance Monitoring Report to 31 January 2019; and**
- 2. Agreed that in this instance the Committee did not require any additional information in order to fulfil its governance role.**

9. GOVERNANCE REPORT INCLUDING CORPORATE RISK REGISTER

The Governance and Risk Manager explained that the report was the first of the Governance Reports that would be presented to the Committee quarterly and sought confirmation that the report contained the required information. She highlighted the quarter 3 risk register, December 2018, indicating that the next periods report would be more positive. She felt that further work needed to be carried out regarding internal controls.

The Governance and Risk Manager explained that risk 1, failure to deliver a balanced budget and risk 6, legal obligations under GDPR are breached had been downgraded.

In response to a question the Governance and Risk Manager confirmed that risk 2, insufficient clarity around Member and Officer roles would be downgraded once the recommendations for BDO were implemented.

The Chairman indicated the report contained a good balance of risks. The key was the direction of travel for individual items and the wider picture. The risk register was a couple of months out of date. The Governance and Risk Manager explained that the risk around unitary status had been removed from the corporate risk register but it would be added to the LGR risk register as part of the unitary project.

In response to a question the Chief Finance Officer explained risks 17a, impact of Brexit on NBC services and 17b, impact of Brexit on Northampton economy had been added. The Council supported its residents and kept a watching brief of the effects on local businesses.

The effects of Brexit could have an impact on the Revenue and Benefits team or the Housing team for example.

RESOLVED: That the Audit Committee:

- 1. Reviewed the new Quarterly Governance report and were satisfied with its contents; and**
- 2. Agreed that the Governance report would be presented quarterly with appendices where relevant.**

10. EXCLUSION OF PUBLIC AND PRESS

There were none.

The meeting concluded at 7:10 pm