

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 14 November 2016

PRESENT: Councillor Golby (Deputy Chair); Councillors J Hill, Marriott, Stone and Oldham

OFFICERS: Glenn Hammons (Chief Finance Officer), Chris Randall (Interim Strategic Finance Manager), Francis Fernandes (Borough Secretary), Paul Hymers (Finance Manager), Joseph Seilong (KPMG), Daniel Hayward (KPMG), Chris Dickens (PWC), Dan Kalley (Democratic Services Officer)

1. APOLOGIES

Apologies were received from Councillors Bottwood (substituted by Councillor Oldham), Parekh and Chunga.

2. MINUTES

The Minutes of the meeting held on 5 September 2016 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

Councillor Beardsworth confirmed her interest in addressing the committee on items 6, 10 and 14.

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

6. EXTERNAL AUDIT ACTION PLAN MONITORING

Councillor Beardsworth addressed the committee with regards to the report. She asked if officers could explain why all the permanent staff in the asset management team had left and been replaced with interim staff. She expressed concern that the team no longer had sufficient local knowledge to deal with issues if they arose. In addition she commented that there still seemed to be a number of issues outstanding within the action plan that had gone past their completion date.

The Interim Strategic Finance Manager presented the report to the committee and explained that the information contained in the report and action plan had been requested by the committee at previous meetings. This was to allow the committee to see progress against the recommendations made by KPMG in their annual ISA260 report which was presented to the previous meeting. The committee were drawn to the fact that a further recommendation had been added by KPMG since the last report.

The committee were informed that the draft letter of representation circulated to committee members at the previous meeting had been finalised, and then signed by the Chair of the committee and the S151 officer, with a copy attached to the report.

In addition the Interim Strategic Finance Manager stated that appendix 3 to the report outlined minor amendments to the Statement of Accounts on the finalisation of the external

audit, these included correcting rounding errors and improving the narrative to include links to future capital plans and improved information around officers' remuneration. The amended Statement of Accounts had been signed under delegated authority by the Chair of the committee and the S151 officer.

The committee welcomed the report and asked a number of questions to which the officers replied, these included:

- Payroll staff would be taking reconciliations into consideration when the payroll process is transferred from LGSS in the New Year. In addition the current LGSS payroll staff would complete a reconciliation of information held up to the point of transfer.
- There was still work to do around ensuring that systems were kept updated when staff left employment, as there had been previous cases of staff still being on the system after they had left. Business system managers were now taking more time to do routine checks on the system to ensure they had been updated correctly.
- Even though some of the items outstanding had gone past their completion date there were no actions that were deemed time critical at this stage.

The committee were re-assured that all these actions were important to the council and being given priority. There was a reputational impact if they were not carried out and completed.

RESOLVED:

1. That the Audit Committee approved the action plan developed by the statutory S151 Chief Finance Officer to make improvements in line with the 2015/16 ISA2600 Recommendations, and noted progress achieved to date
2. That the Audit Committee notes the Letter of Representation and minor amendments to the 2015/16 SoA.
3. That directors of services present back to the Audit Committee on the impact of interim staff on certain service areas.

7. EXTERNAL AUDIT CONTRACT PROCUREMENT

The Interim Strategic Finance Manager presented a report to the committee on the extension of KPMG's contract as external auditors up to and including the audit of the 2017/18 accounts. The committee were informed that the authority had benefitted from a reduction in fees in the order of 50% compared to historic levels.

In addition the report outlined that for the audit in 2018/19 and beyond, local authorities were required to set up an 'Auditor Panel' or opt into any sector-led body that may be established as the appointing person under the Local Audit and Accountability Act. There are a three options available to the council these being:

- 1) Council can decide to make an appointment themselves, however there were specific regulations surrounding this including members that were independent of the authority.
- 2) Setup a Joint Auditor Panel with other local authorities, which would save costs but there is a risk that the decision making body would be further removed from a local point of view.
- 3) The Council can opt in to a sector led body, whereby costs would be shared nationally for those organisations who opt in. This would allow national auditing firms the opportunity to offer lower rates and fees as they would be awarded large contracts across many authorities.

The Committee were advised that officers were of the opinion that option 3 was the most

beneficial to Northampton in terms of being most likely to secure best value for money as the contract would have significant economies of scale. Members were directed to the fact that this proposal would need to be presented to full Council before 9 March 2017.

In response to comments from members the Interim Strategic Finance Manager confirmed that once the council had agreed to opt in to a sector led body that it would be difficult for the authority to pull out, however any arrangements would include performance management of the auditing firm.

RESOLVED:

That the Audit Committee agree to recommend to the next council meeting that Northampton opt to join the national scheme for external auditor appointments for five financial years commencing 1st April 2018 offered by the Public Sector Audit Appointments (PSAA), and then for officers to formally respond by 9th March 2017.

8. TREASURY MANAGEMENT OUTTURN REPORT 2015/16

The Principal Accountant presented the report and outlined that this report had been presented to Cabinet on 7 September 2016 and Council on 7 November 2016. He outlined a number of key points including:

- Council continued to make use of internal borrowing to fund its capital expenditure programme, making savings in the revenue budget.
- Loans of £46 million were made to the University of Northampton to facilitate development. These were funded by the PWLB, applied for by SEMLEP.
- In house investment returns achieved 0.77% compared to the average 7 day benchmark of 0.36%, this was above national averages.
- The debt financing budget outturn was £624k under budget.
- Borrowing position at end of quarter 1 had reduced by £225k.
- Investment balances during quarter 1 2016-17 averaged £73 million, with a weighted average rate of interest of 0.84%.

With regards to the economic climate in the UK members were advised that it was unlikely that there would be another rates cut. In response to a question from members the Finance Manager confirmed that the council had accessed 3 loans from Northamptonshire County Council in order to facilitate cash flow, however members were advised that this was common practice.

RESOLVED:

That the Audit Committee note the Treasury Management Outturn Report for 2015-16.

9. FINANCE REPORT - JULY 2016

The Chief Finance Officer presented the report and informed the Committee that the report had been discussed at Cabinet in September. Members were informed that the General Fund Revenue was £902k favourable. In terms of the HRA the forecast was a £2.8 million underspend. Cabinet identified £2.3 million of this was to be invested into the Capital Programme to help fund the 141 Right to Buy receipts it currently holds.

Members were directed to appendix 5 of the report showing the monthly levels of car parking usage and income up to 30 September 2016, as requested by the Committee at the previous meeting.

The Chief Finance Officer confirmed that the income from car parking was the gross figure

only.

RESOLVED:

1) That the Audit Committee considered and noted the report, and also the position on car parking income up to 30 September 2016.

10. POSITION STATEMENT ON VACANT POSTS AND INTERIM/AGENCY STAFF

Councillor Beardsworth addressed the Committee and outlined that there were still a large number of vacancies across the council. This would place additional pressure on existing staff within the organisation. She questioned why the report did not provide enough detail on how much it was costing the council to pay for interim staff and that this information should be brought in front of the Audit Committee. In response the Chief Finance Officer commented that the report had been to the committee for the past three meetings and was still being fine-tuned. It was possible in future to include the financial information on costs of interim staff.

The Chief Finance Officer outlined the information contained in the report and stated that there were currently 32 interim staff, which was a reduction from earlier in the year. In addition the table at 3.2.2 of the report outlined how long interims had been employed by the council. The final table showed the number of vacancies currently being advertised and the position in each directorate.

Members were advised that each director from the directorates could update the committee in the future on how they plan to tackle the vacancies and how interim staff play a role in their teams.

RESOLVED:

- 1) That the Audit Committee notes the report
- 2) That financial information on the costs associated with interim staff be included in future reports to the committee.

11. CORPORATE PERFORMANCE OUTTURN REPORT 2015/16

The Borough Secretary introduced the report and commented that 67% of performance measures reached their targets. Of the 42 performance measures 28 were within agreed tolerances and 14 fell short.

Members of the committee asked whether it was possible to know how many of the new start-ups were still in business two or three years after they launched. It was important to know if they were sustainable in the current economic climate. The Chair agreed to discuss this with other members and see if the information around sustainability could be gathered.

RESOLVED:

- 1) That the Audit Committee note the report.
- 2) That information on the sustainability of start-ups be presented to the committee.

12. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

The Head of LGSS Revenues and Benefits presented the report and outlined that the amount of unmanaged debt should never be more than 4.5%. Members were advised that the current schedules were promising and placed the authority in a strong position.

In response to questions from Members the Head of LGSS Revenues and Benefits

explained that the consultation on the Council Tax Reduction Scheme (CTRS) will be analysed in detail when the results are released next year. In addition members were advised that transparency on the scheme was paramount to the consultations response.

RESOLVED:

1) That the Audit Committee considered and noted the latest position in relation to the Council's outstanding debts as at 30 September 2016.

13. INTERNAL AUDIT LGSS UPDATE

Paul Strangward from LGSS Internal Audit presented the report and outlined that LGSS finance staff had met with both LGSS and PWC internal auditors to discuss their audit plans. This has helped shape the internal audit plans. Members were advised that this information was to come back to the committee going forward.

RESOLVED:

That the Audit Committee noted the report.

14. INTERNAL AUDIT PWC UPDATE

Councillor Beardsworth addressed the committee and asked to know the cut off figure for financial amounts to be delegated to officers. She queried why the third trench of the loan to Northampton Town Football Club (NTFC) for £1.5 million did not go to Cabinet or full Council. She asked that the Audit Committee investigate this as a matter of urgency.

In response the Borough Secretary commented that the Councils constitution made provision for officer delegated authority, however it was not, at this time, appropriate to answer questions while the investigations were still ongoing. Issues around the loan and its procedures would be answered by the reviews being carried out by PWC and KPMG.

Chris Dickens from PWC presented the report to members and outlined that risks and actions were now being captured. There were a number of changes to the internal audit plan including looking at governance arrangements within the council. The audit plan was also taking into account payroll controls with the imminent transfer back into the council from LGSS.

Members of the committee were informed that there had been a number of findings to be considered, including whether it was appropriate to add a 15% fee to all invoices relating to the cost of the Council administering the DFG scheme.

He explained that PWC were now finalising their report on the NTFC loan and this will be presented at a later date.

In addition members were advised that the list of previous internal audit reports was to be reviewed to identify those where issues had been dealt with or were no longer relevant. He advised that he would be discussing with the Chief Finance Officer how the report tracking system for internal audit reports could be used, and whether it could incorporate the ISA260 report actions.

In response to questions from members Chris Dickens from PWC confirmed that there was no set date on the final report on the NTFC loans, in addition the information used to make recommendations had to fall within the scope of the task given to the auditors.

RESOLVED:

- 1) That the Audit Committee note the report and agree to note the changes to the audit plans.

15. EXTERNAL AUDIT KPMG UPDATE

Joseph Seliong and Daniel Hayward from KPMG introduced the report and asked members of the committee to note the annual audit letter and that the audit did not identify any significant audit differences in the accounts which meant an unqualified opinion. However a qualified opinion was issued on value for money.

In response to a question from Members the Chief Finance Officer commented that the additional recommendation around business rate appeals will need to be taken into account. This was due to a higher number of successful appeals in urban areas.

In addition the Chief Finance Officer stated that measures were now in place to reduce the number of retrospective purchase orders being raised. This was done by training staff on the system.

In response to comments from members Daniel Hayward from KPMG confirmed that at this stage it was not possible to make statements on what information was being used on the NTFC loan report. He also responded when asked by members of the Committee that he felt the authority was taking their ISA260 recommendations seriously and the level of detail that was being provided to members within the action plan was greater than he experienced with other authorities

RESOLVED:

- 1) That the Audit Committee noted the annual audit letter which confirmed that the audit did not identify any significant audit differences in the accounts which meant an unqualified opinion on the statements, that a qualified opinion was issued on value for money and the additional recommendation relating to business rate provisions.
- 2) That the Audit Committee noted the technical update paper and briefing papers attached.

16. EXCLUSION OF PUBLIC AND PRESS

None required.

The meeting concluded at 7.20pm