

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 13 November 2017

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

1. APOLOGIES

Apologies were received from Councillor Chunga who was substituted by Councillor Joyce.

2. MINUTES

The Minutes of the meeting held on 27th September 2017 were agreed and signed by the Chair.

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. 2016/17 STATEMENT OF ACCOUNTS UPDATE

The Interim Finance Project Manager elaborated on a report informing the Committee on the work undertaken in conjunction with the external auditors (KPMG) since the 27th September 2017 meeting towards enabling them to issue their audit opinion on the 2016/17 Statement of Accounts. It was explained that a copy of the KPMG late audit opinion letter had been sent to all Committee Members for reference and noted the 3 areas identified by them which were areas of concern were:

- Valuations of Social Housing Assets
- Valuations of Other Land & Buildings and Investment Properties
- Methodology of compensation of assets

It was noted that since the September 2017 Committee work had commenced to resolve the concerns in the above identified areas; officers had set up an internal Task Force to meet on a weekly basis to ensure that all necessary steps were being undertaken to ensure that KPMG would be able to issue their audit opinion on the 2016/17 Statement of Accounts. The Task Force included staff from LGSS finance, Assets, Risk and Governance and Legal Services, and it was anticipated that the Accounts would be signed off by the end of January 2018. It was explained that the internal auditors for both the Council and LGSS were fully engaged to provide assurances on robustness.

In response to questions asked, it was explained that there were no external financial penalties imposed on the Council for not having had the Statements of Accounts signed off by the deadline however, there were costs that would be incurred from the additional work carried out by the external auditors. It was further noted that missing the deadline could potentially damage the reputation of the Council. The external auditor confirmed that financial costs would be incurred due to their additional work but noted that no fine was

imposed although a further risk to the Council was the vulnerability of the accounts still being open and thus open to objections.

The external auditor, in response to questions asked, explained that he was in communication with the Department of Communities and Local Government and that it was his duty to make them aware of the Councils current position, specifically the fixed assets issue and the interim staffing matters. He stated that it was necessary for them to have been made aware of the ISA260 and noted that whilst the Council were being monitored by central Government, the consequences of any actions they could take were unknown.

The Borough Secretary and Monitoring Officer responded to questions from the Committee by explaining that steps were being taken to recruit an Independent Chair of the Audit Committee and every effort was being made to ensure the right person would be selected for the role during this critical time.

RESOLVED:

That the Audit Committee noted the progress towards enabling KPMG to issue their external audit opinion on the 2016/17 accounts.

7. FINANCE MONITORING

The Chief Finance Officer elaborated on a report that had been presented to Cabinet on the 18th October 2017. He explained that the Department of Communities and Local Government (DCLG) had announced a pilot scheme for 100% Business Rates retention scheme in 'functional economic areas' and it was noted that Cabinet had agreed the principle of submitting a bid in partnership with other Northamptonshire Local Authorities. It was explained that there had been underspends on the General Fund (GF) and Housing Revenue Account (HRA) and the Committee were updated on the 141 Right to Buy Receipts and that there had been close partnership working with Northampton Partnership Homes (NPH). Reference was made to the recognition of the change that local authorities to operate in a commercial environment and that risks identified would need to be recognised and managed.

In response to questions asked, the Chief Finance Officer commented that there would be a second tranche of Councillor training on commercial business practices.

RESOLVED:

That the contents of the report be noted.

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

The Interim Finance Project Manager elaborated on a report which updated the Committee on the position statement as to the number of staff vacancies and interims/agency staff engaged. The Committee questioned what the impact of agency/interim staff was on staff morale and the organisation as a whole and questioned what the vulnerabilities of the Council were due to the number of vacancies.

The Chief Finance Officer explained that there would be ways to identify and explore measures and that this would enable his officers to make the narrative of the report more subjective. The Monitoring Officer explained that work was being accrued out by the HR Team to ensure that staff were engaged and motivated.

RESOLVED:

That the contents of the report be noted.

9. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

The Revenues & Benefits Technical Manager Financial (LGSS) elaborated on a report updating the Committee on the position regarding the Council's outstanding debts as at 30th September 2017. He noted that since the last Committee, three services areas had been identified with the highest amount of unmanaged debt: Asset Management, Licensing and Exchequers. In all of those areas, it was explained that significant progress had been made and that there had been a significant reduction in unmanaged debt in these areas and noted that the overall outstanding arrears were £142k less than at the same point last year and that unmanaged debt was also £27k less than the previous year. He noted that the team had undertaken an analysis of the high value arrears cases that occurred during 2016/17 and referred to the figures in the table at 2.46 of the report.

The Committee questioned whether there was a perceived problem with companies going into liquidation and whether there were any background checks that could be carried out to mitigate the risks to the Council. It was explained that there were no checks that could be undertaken on a new business before they moved into a premises as this was not within the jurisdiction of the Council. However, it was explained that there was a list of the top 20 companies within Northampton who were closely monitored in order to ensure that any changed habits that may be indicative of financial problems could be anticipated and prepared for.

The Committee questioned the costs of pursuing some debts against the cost of the actual debt owed and it was noted that there needed to be a measured and sustainable approach to the debt.

It was confirmed that both NBC and NCC who are amongst the largest ratepayers in the borough, had multiple assessments, and received a disproportionate numbers of invoices. Many of which can be backdated due to retrospective re-valuations, which are usually annual re-valuations that are not in the control of either authority "arrears" can be created without the opportunity to pay within the particular financial year (e. g. schools and car parks).

In response to questions asked, the Revenues & Benefits Technical Manager Financial explained that a list of business in receipt of a new start up grants from NBC could be provided to members of the Committee.

RESOLVED:

- 2.1 That the latest position in relation to the Council's outstanding debts as at 30th September 2017 be noted
- 2.2 That the Committee requested additional information in order to fulfil its governance role which included:
 - a) The provision of a list of businesses in receipt of a new start up grants from NBC
 - b) Consultation with staff in Economic Development as to whether they held information relating to the number of businesses who had been successful in the first 2 years of set-up.

10. GOVERNANCE ACTION PLAN

The Governance and Risk Manager expanded on a report which updated the Committee on the progress made on implementing the Council's Governance Action Plan (GAP). It was explained that 7 actions that had been completed since the last Committee and incorporated in the report and noted that 19 actions were still 'open'. It was noted that an Internal Control Officer had been appointed and was due to start at the end of November 2017. It was reported that compliance with CIPFA/SOLACE would not be a quick fix for the Council but that there was an ongoing commitment that had been made with the objective of gaining external validation.

In response to questions asked, it was explained that there was not an easy way to measure a change in culture but that this could be identified by working with directorates and establishing 1:1's with people and the inevitably by examining whether officers were following the correct processes and procedures. It was further noted that the updated on the Whistleblowing Policy had been completed and that the external provider of this would issue a monthly report categorising the number of calls received and such information would be presented to the Audit Committee. Responding to questions asked, it was noted that there would be future engagements with the Unions to ensure that officers who wanted to whistle blow had the support of their Union representative.

The Chair thanked the Governance and Risk Manager and team for their hard work in progressing the GAP.

RESOLVED:

That the Committee reviewed and commented on the Governance Action Plan.

That Committee received updated reports on the implementation of the Governance Action Plan from the Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

11. PWC INTERNAL AUDIT PROGRESS REPORT 2017/18

The Internal Auditor elaborated on a report which was designed to provide assurance around financial and governance controls and compliance and to highlight any areas of risk. It was noted that PwC had continued to provide ongoing project governance processes and shared comments on the process currently being undertaken by the Council in relation to the Environmental services contract re-provision. It was noted that an additional review would be undertaken on the Estate and assets revaluations to support the work of the Risk and Governance Manager in reviewing and testing the effectiveness of updated policies and procedures in relation to revaluations of the March 2018 year end.

In response to questions asked, the Chief Finance Officer stated that when scrutinising the impact of decision making on major projects, it was the responsibility of the project sponsors to look at Governance and Risk and to advise of consequential decision making. He further answered that should PwC raise an issue with regards to due diligence, then specific action would be taken to mitigate it and that this was done in a clear and transparent way contained in all decision making reports submitted by the Council

RESOLVED:

That the PwC internal audit progress report for 2017/18 be noted and that the amendment to the plan to incorporate the Estates and valuation work be approved.

12. EXTERNAL AUDIT UPDATE - KPMG

The external auditor updated the Audit Committee and explained that they had been collecting and collating information that had been provide by officers and that once satisfied with the core date on fixed assets consideration would be given to signing off the accounts. He stated that work was being carried out by their own valuations officer but that this may delay the process due to her schedule of work. He further noted that a number of his staff would soon be on annual leave and thus unable to work on the Councils accounts and that there was no intention to introduce new auditors due to potential risk; he commented that only once he was 100 percent confident with the accounts would he sign them off –which with a number of caveats in place he anticipated would be at end of January 2018.

In response to questions asked, the Chief Finance Officer explained that additional work required to satisfy the external auditors did add some pressures on the Finance and Assets teams and noted that LGSS Finance had appointed a permanent member of finance staff to the vacant post responsible for co-ordinating the production of the statement of accounts. He further noted that the Council was engaging with an external organisation to work on the valuation of assets.

The Internal auditor also confirmed that they would be looking at processes going forward and that they would be casting a critical eye over the processes and all the information prior to it being passed on to the external auditors.

RESOLVED:

That the information provided verbally by the External Auditors be noted.

The meeting concluded at 7.34pm