

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Tuesday, 27 June 2017

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

1. APOLOGIES

Apologies were received from Councillor M Markham, substituted by Councillor Oldham.

Apologies were also received from Councillor Marriott who was substituted by Councillor Birch.

2. MINUTES

The Minutes of the meeting held on 6th March 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. GOVERNANCE ACTION PLAN UPDATE

The Interim Governance and Risk Manager submitted a report on behalf of the Borough Secretary and elaborated thereon. It was explained that the implementation status report would be presented at all future Audit meetings and it was noted that the current levels of implementation were strong, with 96% of the actions being at either fully or partly implemented; 40% had been implemented, 54% had been partly implemented and the remaining 6% were either not implemented or to be confirmed.

In response to questions asked, the Interim Governance and Risk Manager explained that some items were given the RAG status green, when they had not yet been fully implemented as it was anticipated that this would be fully completed by the expected due date. He explained that it was necessary for the authority to be forward looking in order to be proactive and place emphasis on the achievements that were to be made, within the timescale. He further explained that a number of improvement areas had been delayed or not given a green RAG status due to the complexity actions needed and the competition of time and resources. He stated that he was confident that the plan would be delivered and on time.

RESOLVED:

2.1 That the Committee reviewed and commented on the contents, development and implementation on the Governance Action Plan

2.2 That it be agreed that Committee receive update reports on the implementation of the Governance Action Plan and its covering implementation status report from the Chief

Executive, Borough Secretary and Chief Finance Officer at every future meeting until it determines otherwise.

7. OVERVIEW OF LICENCE TO PRACTICE PROGRAMME

The Interim Governance and Risk Manager submitted a report on behalf of the Borough Secretary and explained that a corporate programme of training and development for officers had been developed to ensure all officers were aware of, and understood, their governance responsibilities to ensure compliance with policies and procedures. He explained that the Council had market- tested a number of high quality courses from a number of consultancy firms and it had been agreed that CIPFA provided both value for money and a quality service and that currently the Chief Executive was communicating with the CIPFA Chief Executive to finalise details.

Councillor Stone expressed concern about the stability of staff and commented that she wanted to see permanent staff being trained so that knowledge would be retained by the Council. It was explained that local authorities faced challenges in recruiting to some positions and therefore the use of Interims was a necessity and that if suitable they too should also be trained.

RESOLVED:

That the actions taken to date be considered.

8. ISA 260 UPDATE

The Interim Strategic Finance Business Partner submitted a report and elaborated thereon explaining that Audit Committee received the annual ISA260 External auditors report from KPMG at the meeting held on the 5th September 2016 which included a number of recommendations and improvements. It was explained that since the Audit Committee in March 2017 a further 8 actions had been completed and that those that were outstanding were not a cause for concern as there was on going work being undertaken. He referred to the Loan Checklist that had been introduced as a result of recommendations from both KPMG and PwC and noted that an independent member of staff was going to be assessing existing loans against it to ensure that the checklist was suitable in practice for assessing potential future loans. This review would be completed by 30th June 2017. It was reported to the Committee that the annual valuation of housing assets had been undertaken by an external valuer due to the internal assets team having no qualified valuers due to vacancies. It was noted that some of the 'red' risks related to actions that either had been completed since the report was published or would be completed shortly and that this would be reflected in the next Audit update report. Members were also informed that Payroll reconciliations had been transferred back in house, having been contracted out through LGSS and that a number of non-material historical balances were being written off.

In response to questions asked, it was explained that Council assets included both Council dwellings and other Council owned properties and the Director of Regeneration, Enterprise and Planning was undertaking a staffing structure review to establish the most appropriate structure going forwards, and this would include considering whether some work should be done externally. It was noted that interim staffing levels did pose an element of risk but there was the capacity to deliver the action plan.

RESOLVED:

That the progress achieved to date against the action plan developed by the statutory S151

Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 Recommendations be approved.

9. CORPORATE RISK REGISTER UPDATE

The Interim Governance and Risk Manager submitted a report and updated members on the Corporate Risk Register; 14 risks had been identified, 64 % being red, 22% amber and 14% green. It was explained that the most significant risk on the register was the potential failure for the Council to deliver a balanced budget.

In response to questions asked, the Interim Governance and Risk Manager explained that the risks identified had been compiled by Senior Managers who had met with PwC and ranked the risks. It was reported that it was a fluid document and would be updated in light of the recent terror attacks and a number of cyber-attacks that had targeted the NHS and House of Parliament. Responding to a further question, it was explained that 'safeguarding arrangements' were reported as being amber and it was unlikely this area would ever be green as this was a specific area that constantly needed to be reviewed given the complexity and high level of risks involved. Referring to 'non-compliance with fire and Health and Safety legislation it reported that this area was being dealt with as a matter of urgency.

RESOLVED:

That the report be noted

10. EXTERNAL AUDIT UPDATE AND INTERIM AUDIT REPORT

The External Auditor submitted a report and noted that an additional recommendation had been raised in relation to team resilience and the use of interim staff in assets and finance. The four stages of the audit process were outlined in the report and the summary of tasks which KPMG had performed to complete the first two stages of their accounts audit was summarised. It was noted that the work that had been undertaken on payroll highlighted a number of exceptions which highlighted that incorrect data was shared with the Auditors prior to the work being undertaken. A new report had been provided using the correct data parameters which would be analysed and the results would be updated. The External Auditor reported that their testing of April to December 2016 pensions return to the pensions authority had confirmed it was complete and accurate which was an improvement on the previous year. It was noted that the Council's medium term financial plan forecast there would be a revenue budget gap of £3.9 million for 2018/19 in new funding and new expenditure, and the Council would continue to face pressures. In reference to the loan checklist that had been compiled, it was explained that as no 'soft' loans had been made they would not be able to validate or monitor the effectiveness of the checklist at present.

In response to questions asked, the External Auditor commented that whilst the Governance Action Plan had been effective in making system more robust it was necessary for a continuation in delivering services and considered that some of the processes put in place had slowed down the progress of the council and that had resulted in missed opportunities; whilst it was commendable the improvements had been made there was a need to ensure that decisions continued to be made and at a quicker pace but with sufficient controls in place.

Councillor Stone commented that a significant amount of money had been spent trying to claw-back some of the money from the loan to Northampton Town Football Club and nothing had been retrieved and suggested that there was a need to ensure that processes

be as valid as the outcome. Councillor Chunga noted his concern that Value for Money (VfM) was not visible and questioned the whether the response given by senior officers were satisfactory. The External Auditor commented that there was still some work to be carried out on VfM but clarified that they were satisfied that the Authority had suitable arrangements in place to monitor and ensure delivery of the savings plans. It was noted that retrospective raising of purchase orders was not acceptable but that this issue was being resolved and an update on the progress would be in the 2016/17 ISA260 due to be presented to Audit Committee on 11th September.

RESOLVED:

That the external audit interim report relating to the audit of the 2016/17 accounts be noted.

11. EXTERNAL AUDIT FEE 2017-18

The External Auditor submitted a report and elaborated thereon and referred to the proposed 2017/18 fees, in the letter appended to the report. It was noted that the External Audit of Northampton Borough Council was a non-standard, high risk Audit and that extra costs be incurred.

RESOLVED:

That the external audit proposed fees for 2017/18 be noted.

12. INTERNAL AUDIT - ANNUAL AUDIT REPORT PWC

The Internal Auditor (PwC) submitted a report and elaborated thereon and noted that the Annual Report was a requirement of Local Government. He commented that this was not a detailed report and referred to further information that had been included with regards to the Disabled Facilities Grants (DFG). It was explained that the implementation of outstanding recommendations from prior year internal audit reports had been reduced from 185 recommendations across 51 reviews to 16 recommendations, and noted that a significant amount of work had been undertaken by officers which he commended. It was noted that key progress had been made which included the implementation of the Executive Programme Board ensuring the flow of information through the authority.

RESOLVED:

That the PwC internal audit annual report for 2016/17 be noted.

13. LGSS - INTERNAL AUDIT ANNUAL REPORT

The LGSS Internal Auditor submitted a report and noted that it provided third party assurance on the control and compliance of the systems used in the provision of services to the Council.

RESOLVED:

That the LGSS internal audit annual report be noted.

The meeting concluded at 7.38pm