

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Jeffrey Room, The Guildhall, St. Giles Square, Northampton, NN1
1DE
on Monday, 3 September 2018
at 6:00 pm.

**George Candler
Chief Executive**

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic_services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

6. LGSS INTERNAL AUDIT UPDATE

7. UPDATE ON STATEMENT OF ACCOUNTS 2016-17

8. RISK BASED VERIFICATION (LGSS REVENUE & BENEFITS SERVICE)

9. UPDATE ON APPOINTMENT OF INTERNAL AUDITORS

10. GOVERNANCE ACTION PLAN

11. TREASURY MANAGEMENT POLICY AMENDMENT

12. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 18 June 2018

PRESENT: Councillor M Markham (Chair); Councillor Oldham (Deputy Chair);
Councillors J Hill and Stone
Mr Ian Orrell (Observer)

1. APOLOGIES

Apologies were received from Councillors Marriott and Golby.

2. MINUTES

The Minutes of the meeting held on 15th January 2018 were confirmed and signed by the Chair as a true record.

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

Councillor Markham introduced Mr Ian Orrell to the Committee and reported that following his appointment as Independent Chair of Audit Committee, he would be attending the meeting as an observer prior to commencing the Chair at future Audit Committees.

The Governance and Risk Manager elaborated on a report that outlined the progress made to date on implementing the Council's Governance Action Plan (GAP) and reported that there were 6 items on the plan that remained 'open', 3 of which required the delivery of training. It was explained that there would be further work monitoring Cabinet decisions, which would be reported to the Audit Committee and work was being undertaken to establish a due diligence and compliance manual. She commented that there had been extensive work carried out with regards to Risk Management and noted that one specific area that would need further work was that of Councillors.

In response to questions asked, the Governance & Risk Manager explained that further work needed to be carried out with regards to due diligence and compilation of a manual. The Chief Finance Officer commented that a loan checklist was being implemented and that there was a need to refresh and examine policies and delegations, explaining that this should not become an overly bureaucratic process. He reported that work was being carried out with the Chief Executive and Cabinet to ensure that projects could still be delivered without lengthy bureaucracy stalling decisions and a commitment to refine the process was being discussed with auditors to ensure that there was an awareness of parameters.

In response to further questions asked, the Governance & Risk Manager reported that improvements to governance had been made and risks had been reduced and noted the

importance of ensuring that processes put in place were fit for purpose.

The Senior Internal Controls Officer referred to appendix 3 and reported that there was a need to focus on areas that generate income and that work had already commenced on the reviewing the use of interims and agency staff which would followed by a review of the Management of the Establishment List/Structure Charts. It was further explained that the review of service areas could identify positive practices which could be shared with other areas.

In response to further questions, the Chief Finance Officer explained that with regards to temporary accommodation and housing, the Council delivered a number of elements but that they were not obliged to scrutinise the accounts of Northampton Partnership Homes (NPH) and the External Auditor confirmed that NPH had their own auditors in place.

RESOLVED:

- 2.1 That the Governance Action Plan Committee be reviewed.
- 2.2 That the required work identified in light of the Governance Action Plan implementation, be agreed.
- 2.3 That update reports on the implementation of the Governance Action Plan from the Borough Secretary be received at every future meeting until it determines otherwise.

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

The Chief Finance Officer submitted a report and elaborated thereon and noted that whilst there had been attempts to try and reduce the number of agency staff but noted that since the Unitary proposal had been tabled, there was the prospect that the number may increase. In response to questions asked, the Chief Finance Officer explained that there was no intention of increasing vulnerability of staff and noted that the majority of savings identified, would be at the upper tiers of staff structures and noted that a mixed economy would be needed and the retention of knowledge encouraged.

Members of the Committee discussed their concerns about the probable increase in the number of interims due to the uncertainty of Unitary proposals and the potential difficulties in recruiting people to a position when it would be for a limited time until the formation of Unitary Councils.

RESOLVED:

- 2.1 That the finance report be noted.
- 2.2 That efforts to reduce the number of agency and interim staff at present be noted and that as NBC head toward a Unitary environment, that it be recognised that there may be a need to increase the use of agency and interim staff.

8. STATEMENT OF ACCOUNTS 2016/17 PROGRESS REPORT

The Chief Finance Officer elaborated on a report which informed the Committee about the work undertaken by the Finance team in conjunction with the external auditors KPMG, since the last Audit Committee on the 18th January 2018 towards enabling them to issue their audit opinion on the 2016/17 Statement of Accounts. He explained that the accounts for 2016/17 had not been closed and the report outlined where and why this had not happened. It was noted that lessons had been learned and process put in place to reduce the chances

of being in a similar position in the future.

RESOLVED:

That the progress towards enabling KPMG to issue their external audit opinion of the 2016/17 accounts be noted.

9. TREASURY MANAGEMENT AMENDMENT

The Chief Finance Officer elaborated on a report that presented the Committee with a proposed amendment to the NBC Treasury Management Policy. It was noted that the amendment would allow cash held in specific reserves as part of the resource available to the Council to deliver value for money and increase 'income' from the Treasury service. The Chief Finance Officer explained that there was a need for a further report to be brought before the Audit Committee to report on the due diligence and commented that if the Committee required, the Council could facilitate a briefing session by CCLA to provide members with additional information.

RESOLVED:

That an amendment to the recommendation contained within the report be agreed as follows:

- 2.1 To consider the contents of this Treasury Management Policy Report
- 2.2 That Audit Committee supports the principle of improving income through the use of Treasury Management Policies.
- 2.3 That the Audit Committee instructs officers to refresh the proposal and bring a further report to Audit Committee in July 2018, with specific reference to due diligence and next steps.

10. INTERNAL AUDIT REPORT (LGSS)

The Audit Committee received a report that summarised the findings of LGSS Internal Audit assurance work relating to LGSS functions. There were a number of issues highlighted in the Business Rates Review Action Plan and reference was made to the Business Rates Collection. It was noted that the 2018-19 reviews had been agreed and would include:

- Housing Benefits
- IT Audit System Review of Agresso
- Accounts Receivable
- Quarterly Balance Sheet review – This would be a new review which would include elements of coverage that would normally be considered in reviews of Bank Accounts Reconciliations and General Ledger.

In response to questions asked, the Chief Finance Officer explained that the intelligent client function had been crossed back to NBC and therefore improvements would be seen and additional focus placed on contracts.

RESOLVED:

That the report be noted.

11. INTERNAL AUDIT ANNUAL REPORT (PWC)

The Internal Auditor elaborated on a report which highlighted the work that they had carried out for the year end 31 March 2018. It was reported that there were significant weaknesses or non-compliance in the framework of governance, risk management and control which put the achievement of organisations objectives at risk. Major improvements were required to improve the adequacy or effectiveness of governance and risk management and it was explained some elements of the Risk Management had been completed and noted that the Governance Action Plan was in place and was being embedded. It was explained that the Internal Auditors had reported that contract management was rated as high risk, as there were no contracts in place for all but one of the 12 suppliers with whom the Council had expenditure of over £75,000 in the period under review and that the contract register had a number of errors.

In response to questions asked, it was confirmed that there was limited contract management in place and it was noted that whilst this was not good practise, improvements were being made.

RESOLVED:

That the report be noted.

12. EXTERNAL AUDIT UPDATE

The External Auditor (KPMG) submitted a report and noted that progress had been made since the last communication in September 2017 on key issues which were outstanding. It was noted that due to the number of areas of concern and errors found, they had not been able to obtain sufficient assurance that the financial statements would present a true and fair view prior to the statutory deadline. It was reported that information that had been given to them had been not only inaccurate but wrong and of very poor quality; 9 months later it was not considered to have progressed efficiently enough to sign off.

It was noted that there were several areas of concern which included:

- a. Valuation of Council dwellings
- b. Having requested in December 2017 that the Council provide a reconciliation between the draft version of the valuers report and the fixed asset register, no reconciliation was provided, despite numerous requests.
- c. Lack of clarity on the application of uplift based on original valuations
- d. Incorrect social housing adjustment factors.

With regards to additional costs relating to additional work and ongoing delays, the Committee noted that in September 2017 the audit was likely to be £71,250. That figure had now reached over £150,000.

The Chair expressed her disappointment that the information requested by KPMG had not been supplied in a timely manner and the subsequent impact that this would have had on the overall costs of the Audit. Frustration was expressed that LGSS finance had been employed to oversee the finances of the Council and that they had not been held responsible for the financial issues and costs that the Council had incurred, which could be

partly attributed to their failings.

The Chief Finance Officer explained that there was a relationship between LGSS and the Council and that as an authority, the Council were not in the position to extract themselves and as progress with Unitary was made it would be very unwise to try and engage with another party.

Mr Ian Orrell commented that NBC were not unique in having an interdependency with LGSS and noted that there was a need for sound and robust contract management to be in place to address such issues.

RESOLVED:

That the report be noted

The meeting concluded at 7.42pm

Internal Audit Update – September 2018

1. Purpose

This report provides the Audit Committee with an update on work undertaken since the last report was considered in June 2018.

2. Background

Many financial activities transferred from Northampton Borough Council to LGSS during 2013-14 financial year. It was agreed with the S151 Officer and the Councils then internal auditors (PwC) that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work, whilst PwC would continue to audit those aspects which remain in the direct control of the council.

3. Update

A summary of planned / actual work for 2018-19 along with the status of such work is detailed in the table below.

AUDIT TITLE	STATUS	PROGRESS	Planned / Actual Start Date	Assurance Rating
2017-18 Plan				
Fixed Asset	Open	Draft Report	May 2018	
2018-19 Plan				
Quarterly Balance Sheet Review	Open	Planning	September 2018	
Accounts Receivable	Open	Planning	September 2018	
Housing Benefits			December 2018	
Agresso IT Application Review			January 2019	
Follow up Work				
Council Tax	Open	Fieldwork	August 2018	
Business Rates			October 2018	
Accounts Payable	Open	Fieldwork	August 2018	

In considering the table above, the following points are noted:

- 2017-18 Plan – The fixed asset audit was delayed as the team responsible for maintaining the Council's Fixed Asset Register have prioritised work on attempting to resolve issues arising from the 2016-17 accounts. A draft report including response to findings has been agreed by LGSS and has been forwarded to the Chief Financial Officer and Governance and Risk Manager to ensure any Council comments are reflected in the final report.

- 2018-19 Plan – As outlined in the table above, no work was planned to be completed in the period April to July 2018. We are currently working with the Governance and Risk Manager to agree the scopes for planned reviews to ensure they reflect the requirements of the Council.
- Follow up Work – The timing of the follow up work is based on the agreed timescales for implementing audit recommendations reflected in the original audit report. Our approach to follow up work is to seek an update from the designated responsible officer as well as evidence to support that the action has been implemented. Before any recommendation is assessed as completed, the information provided is assessed by Internal Audit and where appropriate may involve audit testing to validate action taken.

The findings from such work will be considered by the Audit Committee during the rest of 2018-19.

Duncan Wilkinson
Chief Internal Auditor, LGSS

Appendices:
1. Governance Action Plan



AUDIT COMMITTEE REPORT

Report Title	Progress Update on Statement of Accounts 2016-17
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	3rd September 2018
Policy Document:	Statement of Accounts
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1.1 This report provides an update on the Statement of Accounts for 2016-17 and the issues that have caused the delay in production and sign-off.

2. Recommendations

- 2.1 That the Committee note the issues that have given rise to the delay in the production of the Statement of Accounts for 2016-17.
- 2.2 That the Committee notes that lessons have been learned and improvements made to the processes and data that will improve the production of the 2017-18 Statement of Accounts and subsequent years.

3. Issues and Choices

3.1 Report Background

The Audit Committee received a draft set of accounts for the Financial Year (FY) 2016-17 at its meeting in September 2017. Since then there have been a number of issues arising that have prevented the production of final Accounts and formal sign off by both the Audit Committee and External Auditor.

3.2 SoA 2016-17 update:

- 3.2.1 Due to the delays and lack of final accounts for 2016-17 for Audit Committee to review at this meeting, LGSS Finance, who deliver the full range of financial services to NBC, were invited to produce an explanation to the Audit Committee of the issues that have been encountered and actions. This document has been shared with the External Auditor, who have in turn made some observations.
- 3.2.2 The document outlines some of the issues that have led to the delays in producing final accounts for 2016-17. In addition it should be noted that the churn of staff and use of interims has added to issues in both LGSS Finance and NBC Asset Management. In some cases this has been a quality of work issue, in other cases the churn has led to knowledge gaps with each new officer attempting to fully understand the work and reasoning of predecessors. This risk continues as one of the key senior LGSS NBC Business partners left at the end of August and the current lead officer for LGSS NBC closedown is due to leave in October 2018 and likely to be backfilled by an interim manager, who will progress the 2017-18 Statement of Accounts.
- 3.2.3 In addition the update from LGSS does not include the system (in this context system should be read in the widest context of physical system, processes, procedures, Chart of Account, feeder systems and staff) issues this process highlighted. At the time of this report being written, the commitment to produce final accounts by the end of August 2018 will not be met as a result of further issues. It has become apparent that the 'system' used to process property values and changes requires updating, otherwise c22,000 transactions may need to be manually entered to arrive at the agreed valuations of HRA properties.

3.3 Improvement areas

There have been a number of improvements as a result of all of the issues around 2016-17, which should lead to a faster, cleaner closedown for 2017-18 and steps are being taken to enhance further NBC's ability to closedown cleanly and on time the 2018-19 Accounts.

- 3.3.1 Property Records and valuations will have been cleansed and the system updated to improve record keeping and processing, with clearer instructions to valuers on what they must deliver and why/when.
- 3.3.2 Revised Working Paper protocols have been introduced to enhance the quality of working papers provided to the auditor, along with more stringent quality assurance checks by two separate senior managers (one from LGSS NBC Business Partner Team and one from LGSS Finance Closedown Team)
- 3.3.3 Systems and coding have and continue to be reviewed and updated to improve cleaner reporting.

3.3.4 The Section 151 role (Chief Finance Officer) moved back from LGSS Finance to NBC in February 2018 to provide a more 'intelligent client' function and support NBC directly.

3.4 Conclusions

3.4.1 Whilst the continued delay in producing the Statutory Statement of Accounts for 2016-17 is not helpful. It is important to provide assurance to the residents and stakeholders that the issue is not around the management of finances, the funding of services and has no impact on current budgets or plans. The issues ultimately are around the presentation of information in a form required by Cipfa and Government. The auditor has highlighted that valuation changes are 'material in value' these are now historic and have in reality been superseded.

3.4.2 The issues that have arisen have tested staff within LGSS Finance and relationships between NBC (as the accountable body), LGSS (as its provider of financial services) and KPMG (External Auditor). There is an angst and frustration from all parties, that at each stage of progress, from June 2017, issues have unwound previous work and required rework, in some cases several times.

3.4.3 Having monitored progress since February 2018, it is clear there is no single factor that can be identified as the root cause of the problem, but a constant flow of what would individually have been minor issues has, in this 'high risk' audit environment led to cumulative problems and system weaknesses.

3.4.4 The improvements and lessons learned will be demonstrated during the process of closing a down and producing the SoA 2017-18, which will commence immediately after the SoA2016-17 is finalised.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications from this report.

4.2 Resources and Risk

4.2.1 The continued exercise to deliver final and audited accounts has had a resource consumption impact on the resources intended to support NBC in year and with 2017-18 accounts, but with no additional cost. Additional costs have and continue to be incurred as a result of additional work by KPMG.

4.3 Legal

4.3.1 No specific legal aspects.

4.4 Equality

4.4.1 There are no specific equality implications from this report

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with, LGSS finance, and External Audit.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Various previous Audit Committee agenda packs

Stuart McGregor, Chief Finance Officer

A review of the causes of delay in completing the Northampton Borough Council Statement of Accounts 2016/17 by LGSS Finance on behalf of NBC

1. Introduction

- 1.1. The NBC S151 Officer has requested that a report be presented to the Audit Committee setting out the detail behind the causes of delay to the 2016/17 NBC Statement of Accounts to provide the Committee with the opportunity to comment and understand fully the issues. This report has been prepared by officers in both the LGSS Integrated Closedown team and the LGSS NBC Finance Business Partner team, with some additional comments/observations by KPMG.
- 1.2. A KPMG update report was also presented to the Audit Committee in July. This reported the position as at June 2018 and is attached as Appendix 1 to this report. This includes a useful commentary from the external audit perspective and a timeline for the period to June.
- 1.3. The following sections of this report provide commentary from the NBC / LGSS perspective on each of the main issues that have contributed to the delay in finalising and signing off the 2016/17 accounts.

2. Fixed Asset Valuations – General

- 2.1. Initial concerns were raised by KPMG (the external auditor) in June 2017, with further concerns highlighted during September 2017. These were concerns over the accuracy of the valuations of certain properties owned by the Council. These concerns centred on the valuation methods applied by both internal and external valuers and the quality of supporting records.
- 2.2. Following an analysis and evaluation of the concerns raised, all of the properties impacted by these issues were identified and appropriate responses were formulated by colleagues in Finance and Asset Management.
- 2.3. New valuations were required for all properties that had been valued internally, and in order to mitigate the lack of permanent staff and, in some instances, the absence of appropriate valuation records in the NBC client assets team, external valuers (GVA) were appointed in November 2017. Their instruction was to provide robust new 2016/17 valuations for all assets that had been valued by the internal assets team.
- 2.4. Other assets had already been revalued by external valuers (Underwoods) and this exercise was revisited. This process involved a detailed review of the valuation documentation and additional information was sought. There had been little or no review of these valuations by the NBC client assets team when they were delivered, which would have highlighted some of the striking inconsistencies that existed.
- 2.5. The work required to clear the resulting concerns was largely undertaken during the period from October 2017 to May 2018, and was the sole focus during this time.
- 2.6. The following asset categories were impacted (but see section 2 on Council Dwellings):
 - I. Investment Assets;
 - II. Operational Properties; and
 - III. Assets held for sale.

- 2.7. This valuation exercise took some time to deliver, with reports and backing information received as follows:
- I. GVA delivered the replacement for the internally delivered valuations on 29 January 2018;
 - II. GVA delivered further, 'sensitive' valuations during February, March, April and July 2018; and
 - III. Underwoods provided further background information in November 2017.
- 2.8. Once delivered, the new and enhanced valuations were subjected to intense scrutiny by the auditor, as a result of the NBC Audit being considered 'high risk' therefore having lower thresholds for materiality. A series of follow up questions were received from both the KPMG audit team and an in-house KPMG valuation expert, who was supporting that team.
- 2.9. Follow-up questions were received regarding the Underwoods valuations during November, December and January. Although responses to the majority of these queries were provided by the end of February 2018, the January queries were repeated in May because of an ongoing absence within the KPMG team. Most queries were cleared in June/July 2018.
- 2.10. There is no doubt that progress through the audit has been slowed significantly by the availability of the robust valuation data that should have been held by the assets team, especially as many of the valuations were actually completed by internal valuers. It should be noted that whilst there has been a significant lack of resource and expertise in the assets team, one individual agency worker has been pivotal in taking ownership and working with finance staff to resolve these issues.
- 2.11. There is also no doubt that some of the delay in finalising this work arose because of resourcing issues within the KPMG team, not least as a result of the loss of a key colleague (the valuations expert) to illness. However this only had an impact as the audit had exceeded its expected resource window for KPMG, who had been 'booking and releasing' key staff over a period of time awaiting information. As a direct consequence, the questions received were sometimes based on misunderstandings or were a repeat of earlier queries. Additionally, this situation often resulted in a significant lag between the delivery of evidence and the receipt of follow-up questions. However, some of this is perhaps to have been expected due to the need for KPMG to work on other already planned audits and assignments therefore creating a pressure for the audit team. KPMG have highlighted they could not hold a constant Audit Team for the whole period on standby, without material cost implications to NBC. Once the planned audit window had past, there were some resource availability issues for KPMG, but attempts were made to keep staff consistent and available, but with due regard to seeking to manage the costs for NBC.

3. Fixed Asset Valuations – Council Dwellings.

- 3.1. Outstanding issues associated with the valuation of the Council's housing stock began to arise during February and March 2018. The core issue was that incorrect valuation reports were used when creating the accounts presented to Audit Committee in September 2017, which should have been picked up in the Quality Control checks.
- 3.2. The existence of problems in this area was identified in January 2017, where an Asset Management and Finance meeting noted:

"NBC has never assessed the appropriateness of beacon groups and this is a fairly substantial piece of work. The 1st April 2016 valuation showed a 4.08% average uplift from values at 31st March 2016. This shift does indicate the need for an assessment of the appropriateness of

beacon groups to be urgently carried out, especially as there were underlying movements ranging from -15% to +20%.”

- 3.3. During the period from April 2016 to September 2017, the valuation process became chaotic, with three valuation approaches delivered by three different organisations. All had applied the wrong social housing discount factor and this was not picked up by the internal assets function.
- 3.4. Once the issue with the discount factor was highlighted in September 2017, (KPMG state this was identified by them in July 2017) the year-end valuation was corrected and the accounts amended for this change. The opening position, however, was not updated at the time, despite this being the key driver for the calculation of depreciation in the year. In February 2018, as the Housing valuations were pulled forward for scrutiny, the Finance team undertook a review of the movement on the accounting statement and highlighted that this step was missed.
- 3.5. A substantial piece of work has been required in order to correct this situation, including obtaining a new valuation report at 1 April 2016 that applied the correct social housing discount factor. This was delivered on 20 June 2018, reviewed by Finance / Assets and cleared by KPMG in July 2018.
- 3.6. The amendments then required in the accounts were numerous and complex. Having been advised that these entries should not be loaded to the Fixed Asset System (RAM), the team prepared to replicate the actions of that system within a spreadsheet. This process was extremely complex but succeeded in providing verifiable data at a high level.
- 3.7. At this point, discussions with the software provider for RAM identified an approach that would allow the data to be loaded to the system. This was considered beneficial by both the Finance team and KPMG, as it would provide a more robust approach, a complete audit trail and continuity with previous and future records.
- 3.8. Commissioned on 2 August 2018, this involved the removal of the data generated by the incorrect valuation report and the upload of the details from the new, correct report, while leaving all other asset data intact.

4. Working Papers and Accounting Records

- 4.1. Although many working papers were produced to the required standard in support of the audit, which started in June 2017, to produce the September 2017 draft accounts, a number were of poor quality and created additional queries, uncertainty and delay. For context, there are over 100 audit records required, which are delivered by different parts of LGSS and NBC.
- 4.2. There is evidence that the time pressures experienced by the team at that time compromised the review and quality assurance process during the compilation of the accounts in June 2017, presented to Audit Committee in September 2017. This would have appeared to have led to issues around accuracy and internal consistency. Overcoming these issues during the ensuing period has created some delay as working papers and supporting analyses needed to be reworked to satisfy the auditors. This work was cleared, however, by the end of January 2018.
- 4.3. Additionally, year-end working papers originally produced for CIES/MiRS/ BS had been split up for the first time in 2016/17, leading to consistency checks being missed.

5. Mapping of the trial balance (TB) to the Statement of Accounts

- 5.1. The complex amendments identified from the work on property valuations resulted in a large number of changes throughout the accounts. In feeding these transactions through the financial

- system, KPMG sought assurance in respect of the mapping of ledger codes to the primary statements.
- 5.2. Consequently, there has been a need to confirm at the most detailed level that the Statement of Accounts document accurately reflects the contents of the Council's financial system. Although this step was not undertaken for the September accounts, and LGSS believe, had not been required in previous years, the Finance team agreed with KPMG that this assurance was required in order to clear the audit. KPMG advise this is standard practice and ordinarily conducted at the end of an audit and does not normally highlight any issues.
 - 5.3. Although this process allowed the team to confirm that the September accounts were materially complete and that no material balances or transactions were omitted, it also highlighted a number of immaterial anomalies (errors) and a couple of issues:
 - I. The need for a series of manual adjustments in the September accounts arose because of the way the financial system is configured. As the financial system is used for a number of reporting purposes, the statutory format of the accounts has always required a merger of two different code structures. Although this process delivers the majority of analysis required, a small number of manual adjustments have always been necessary.
 - II. This situation was made significantly more complex by the 2016/17 change in the format of the Income and Expenditure Statement and a number of further manual adjustments to the system data structure were required. KPMG observe this was a national change to reporting requirements and known in advance of the audit itself.
 - 5.4. The requirement for full TB mapping was first discussed in February 2018 (KPMG state it was referenced in their PBC in January 2017 and first discussed in October 2016) and a presentation that demonstrated that all codes had been applied was completed by the Finance Business Partner and Integrated Closedown team during March and early April.
 - 5.5. On 26th April 2018, a session was held through which LGSS finance (both NBC Finance Business Partner and Integrated Closedown team staff) provided a detailed presentation of the mapping process and audit trail to a KPMG Audit Manager, with the NBC S151 Officer in attendance.
 - 5.6. This presentation was taken away by KPMG and, on 1st May 2018, another KPMG Audit Manager on the NBC audit stated that the concerns centred on one year-end transaction included within the trial balance, designed to 'sweep' the balances from the revenue codes at the year-end onto the general fund balance. At this point, KPMG required an explanation of this activity.
 - 5.7. LGSS Finance responded to this query on 2nd May 2018 setting out the explanation of these codes and offering a conference call.
 - 5.8. On 24th May 2018 LGSS Finance were made aware, through the NBC S151 Officer, that KPMG had referred this issue to their 'technical team' without discussing it further with officers. There were no other communications from KPMG on this issue at this time, despite both the NBC S151 Officer and LGSS Finance querying progress against this outstanding issue on a regular basis. (KPMG advise that this topic was covered during the regular 'catch-ups' with LGSS Closedown Team)
 - 5.9. On 19th June 2018, the NBC S151 Officer emailed KPMG specifically requesting that this area be looked at and for KPMG to visit the LGSS Finance team if further explanation was required.
 - 5.10. On 2nd July 18 KPMG hosted a conference call between their audit team, KPMG technical team and LGSS Finance to discuss the TB mapping work. Further discussions and a series of different

presentations were produced after this call in order to clarify the Council's approach. These were delivered to both the KPMG audit and technical teams on 5th July 2018. Following a face-to-face meeting on 12 July 2018 with the audit and technical teams, the Finance team were asked to simplify the presentation through modifying parts of the accounting code structure, allowing a clearer reconciliation between the accounting statements and the financial system rather than on a spreadsheet. Further discussions ensued to obtain clarity on the output KPMG required, and this work is currently being completed

- 5.11. The requirement for manual adjustments in this reconciliation does highlight the fact that the configuration of Agresso has not kept pace with developments in the Accounting Code that occurred in 2016/17.
- 5.12. Due to KPMG's requirement for the re-mapping process for the 2016/17 presentation of the Income and Expenditure Statement to be transacted on the General Ledger, this set up will be fit for purpose for the Statement of Accounts going forward.

6. Conclusion

- 6.1. This report demonstrates that there have been some very specific yet significant issues that have resulted in the delays to the 2016/17 accounts. These issues have also been discussed in the context of the 2017/18 accounts to ensure that a similar situation does not materialise for the audit of those accounts. (Specifically around asset valuations and accounting treatment and the quality of working papers).
- 6.2. Finally, it is also worth pointing out that the rest of the audit, particularly with regards the revenue aspects of the Statement of Accounts went well and was completed to time by both parties.

Appendices



AUDIT COMMITTEE REPORT

Report Title	Risk Based Verification (RBV) Policy.
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AGENDA STATUS: PUBLIC / PRIVATE

Audit Committee Meeting Date:	3rd th September 2018
Policy Document:	Yes
Directorate:	Resources
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

1.1 To review the approach to verifying claims for Housing Benefit and Council Tax Reduction and to seek approval of the Risk Based Verification (RBV) Policy.

2. Recommendations

2.1 It is recommended that the audit committee approve the proposed Risk Based Verification Policy (Appendix A).

3. Issues and Choices

3.1 Report Background

3.1.1 Risk Based Verification (RBV) is a method of applying different levels of verification checks to benefit claims according to the predicted risk associated with those claims. The main benefits associated with the RBV approach are twofold:

- In low risk cases we are able to 'fast track' HB/CTR applications which deliver significant customer service improvements and service efficiencies
- In high risk cases we are able to 'more accurately' detect fraud and error at the point of data entry

- 3.1.2 The DWP have developed and approved a Risk Based Verification policy which sets out the information and evidence required before assessing claims for Housing Benefit and Council Tax Reduction (Appendix B).
- 3.1.3 In order to implement this approach the council is required to create its own RBV policy.
- 3.1.4 DWP consider it to be good practice for the RBV policy to be examined by the Local Authority Audit and Risk Committee annually. The policy must be submitted for Member's approval and sign off, along with a covering report confirming the Section 151 Officer's agreement/recommendation. The information held in the RBV policy should not be made public due to the sensitivity of its contents.
- 3.1.5 The Risk Based Verification policy defines the risk categories and the checks required for each category. This information is system based so that claims are automatically allocated a risk category prior to payment. Claims are put into 1 of 3 risk categories – Low, Medium or High.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 Northampton Borough Council is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption. This policy links with Whistleblowing and the Anti-Fraud and Corruption Policy & Strategy.

4.2 Resources and Risk

- 4.2.1 There are no direct financial implications to adopting this policy. However, the experience of other Local Authorities who have adopted Risk based Verification is that more Fraud and Error has been identified at the Benefits Gateway representing a saving to the public purse.
- 4.2.2 The adoption of a RBV policy also means being able to focus resources appropriately on those claims that pose the greatest risk of fraud and simplifying the administrative process for those that pose the least risk.

4.3 Legal

- 4.3.1 DWP HB/CTB circular S11/2011 states that all LAs opting to apply RBV will be required to have in place a RBV Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. The relevant extract of the circular is held at appendix B

- 4.3.2 The councils legal obligation to verify information for Housing Benefit claims is defined in Housing Benefit Regulation 86 which states;

“a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person`s entitlement to, or continuing entitlement to housing benefit”

4.4 Equality and Health

- 4.4.1 There should not be any equalities and/or Health impacts arising from the RBV policy. The selection of risk cases is based on the algorithms developed by the supplier that take account of declared circumstances. It is used by many Local Authorities and the DWP. Should as a result of request for information an individual struggle to meet our requirements based on a protected characteristics every effort would be made to assist the individual in complying.

4.5 Consultees (Internal and External)

- 4.5.1 None

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The RBV policy supports the council’s priority of making every £ go further by protecting the public purse and thereby ensuring that public money is used to maximum benefit.

4.7 Other Implications

- 4.7.1 None

5. Background Papers

- 5.1 Appendix A – RBV Policy (confidential)
Appendix B – Extract DWP Circular S11/2011

Matthew Steele, Service Delivery Manager, 07766 776250



NORTHAMPTON BOROUGH COUNCIL RISK BASED VERIFICATION POLICY



LGSS on behalf of Northampton Borough Council

RBV POLICY FOR NORTHAMPTON BOROUGH COUNCIL ASSESSMENTS OF HOUSING BENEFIT AND LOCAL COUNCIL TAX REDUCTION

RISK BASED VERIFICATION (RBV) POLICY

Introduction:

NBC is responsible for the calculation and award of Housing Benefit and Local Council Tax Reduction. This is subject to an acceptable claim form being submitted.

Background:

RBV is a method of applying different levels of checks to benefit claims according to the predicted risk associated with those claims. Local Authorities adopting RBV will still be required to comply with relevant legislation whilst making use of greater intelligence to target more extensive verification activity on those claims predicted to be at greater risk of fraud and error.

In all cases a National Insurance Number and original proof of identity is required.

RBV is practiced on aspects of claims in Jobcentre Plus (JCP) and the Pension Disability and Carers Service (PDCCS). The DWP have confirmed it is the intention that RBV will be applied to all Universal Credit claims.

It has identified that adopting RBV it will provide the following benefits to customers and local authorities.

- * Improve claim processing times, especially in relation to claims deemed “low risk”.
- * Identify any efficiencies through reduced administrative costs mainly in relation to ‘low risk’ claims
- * Improve opportunity to identify fraud and error at the claim gateway
- * Better targeting of resources.
- * Enable out of hours claims/changes to be made with the customer being informed of the information that is required to support the claim/change of circumstances

Purpose of the Policy:

The purpose of this policy is to specify how Northampton Borough Council’s Benefit Service will operate the RBV solution and to indicate the factors and processes that need to be followed to maximise its effectiveness.

The policy will enable a more efficient service, reducing the burden on customers to provide excessive levels of evidence. It will also reduce the cost of administering claims by reducing correspondence with customers and the subsequent scanning of evidence.

The main objectives relating to the policy are as follows:

- Understand the impact of the risk scores in terms of the likelihood of fraud and error being present
- To highlight any efficiency savings being targeted from the implementation of RBV for proactive in-claim reviews
- Setting out and initiating the required process changes in support of the risk score
- How checks and balances will be introduced into business as usual processes
- Performance reporting implications
- Outlining the baseline position in relation to the current levels of fraud and / or error that exists at the point of claim

Understand the impact of the risk scores in terms of the likelihood of fraud and error being present:

At the claim gateway the IT solution will determine the risk score of the claim / change in circumstance (CIC) and that in turn will determine the level of verification that needs to be applied to that claim by the assessment officer.

Each member of staff responsible for processing claims will be made fully aware of the changes introduced by this policy and full training will be given.

An integral part of the IT solution being used in RBV is a specially developed risk algorithm. This risk algorithm has been developed to identify the likelihood that fraud and error exists in a claim. This has been built using historical local authority data and its performance validated across a number of local authorities.

The estimated risk framework which is embedded in the IT solution is shown below:

Risk Score	Risk Group	Approximate percentage of claims in the risk group	
		New	CIC
1	HIGH	21%	24%
2			
3			
4	MEDIUM	27%	25%
5			
6			
7			
8	LOW	52%	51%
9			
10			
11			
12			
13			
14			
15			
This score will be calculated based on the claim details put forward for RBV	The risk group is determined by the risk score – the level of local verification required on the reported details is derived from the risk group	This is the expected percentage of claims that will fall into each risk group	

The above model is illustrative, the percentages for New Claims are as described and split over 15 risk scores, for Changes the high, medium and low risks are spread over 20 risk scores. Upon receipt of a change in circumstance or new claim the assessment officer will apply different verification procedures depending on the risk group reported by RBV.

If there is any doubt as to the score provided the assessment officer has an override option to **escalate** the claim to a higher risk group but cannot downgrade the risk score provided to a lower risk option.

To highlight the service efficiencies being targeted from the implementation of RBV

In addition to effectively targeting fraud and error (particularly in the high risk category) there may be significant processing efficiency implications with fewer customer interactions required for the low risk claims.

Setting out and initiating the required process changes in support of the risk score - Impact on verification process

A National Insurance number and identity confirmation must be made in all cases irrespective of the risk grouping; this is to comply with current legislation. Where photocopies have been supplied, the assessment office may still request original documents if there is any doubt as to the validity of the information provided.

Low risk claims / changes

On the basis of the risk algorithm outlined it is estimated that 52% of claims / changes received will be low risk. In this instance only essential checks are made. (I.e. National Insurance Numbers and Id proof will be requested)

It is estimated that without checks there is a 3% chance in this risk category that fraud and error could enter the system at the point of entry, this is deemed to be acceptable in line with DWP guidelines.

Low risk claims / changes will be fast-tracked to calculation and claimant notification. The only checks / documents required for this risk group is:

- Proof of National Insurance Number's
- Proof of residency / ID.
- Student formal confirmation of student status. (If applicable).
- CIS check for State Benefits.

This will improve the customers experience as they will be able to amend their claims without supplying excessive data in support of the claim. This in turn will allow for an improved turnaround in the assessment process.

Medium risk claims

It is estimated that 26% of claims and changes will be deemed to be medium risk. Cases in this category must have the same checks as low risk. In addition proofs will be required on all information that needs verification. The documentation can be photocopies, scanned documents, emails or telephone conversations either recorded or un-recorded (with a suitably detailed case note).

It is estimated that without checks there is an 11% chance in this risk category that fraud and error could enter the system at this point.

High risk claims

It is estimated that 23% of claims and changes will be deemed to be high risk. In this instance documentation provided for each declared type of income or capital must be original documents or the best available evidence where original do not exist (e.g. online banking statements) and these claims will require additional checks to be made over and above the normal checks currently undertaken.

There is about 27% chance in this risk category that fraud and error could enter the system at the point of claim / change, this will lead to fraud and error being identified in claim, thus minimising subsequent overpayments and collection cost

These additional checks may involve, but are not limited to:

- Telephone interviews – voice recorded or detailed summary on a notepad
- Interviews at home or in the office.
- Original Proofs
- Cross referencing
- Interventions follow up after a period of time.

(Processes will be confirmed in the procedures when determined).

Each member of staff responsible for processing claims / changes will be trained in the use of the IT solution and the subsequent process change that will need to be implemented to support this policy has been developed prior to implementing the solution.

Cases cannot be downgraded by an assessment officer, but can be increased with approval from a Team Leader or senior officer. All cases which are upgraded are recorded along with the reasons for this so that this information can be fed through to the parameters if errors are found. Reasons for upgrading a case may include previous fraud, previous late notification of changes in circumstances, or where there is good reason to doubt the veracity of information provided.

Existing monitoring arrangements will be used to ensure that the policy is being enacted at the front line.

Setting the base line position in relation to the current level of fraud and error that exists at the point of entry to the system

The DWP expect local authorities that participate in RBV to set a robust baseline which to record the impact of RBV. The DWP are now recording baseline data for fraud and error which is published quarterly. This information can be reported from subsidy cells 222 and 231 of the Single Housing Benefit Extract which can be produced and monitored locally on a monthly basis.

How checks and balances will be introduced into business as usual processes

The RBV IT solution procured will have the ability to automatically select 5% of cases that will be deemed to be a 'blind sample'. The blind sample will, without the knowledge of the claim processor, randomly select a group of claims marking them as having a higher level of risk than that calculated by the risk model itself.

Performance reporting implications

There is a monthly performance report to ensure the effectiveness of the approach. The report will include the percentage of cases presented in each risk category and the levels of fraud and error detected in each.

The report will also outline how much fraud and error has been detected in blind sample cases. In addition to this it is our responsibility to ensure that our officers adhere to our RBV procedures to ensure that the policy is suitably enacted on a case by case basis. This means we will incorporate the RBV assessments under our normal quality checking procedures.

Policy approval:

This Policy has been produced in line with Department for Work and Pensions Guidance on the use of Risk-Based Verification as detailed in HB/CTS circular S11/2011 **Appendix A**

This policy is approved by:

Audit Committee:

Date:

Director of Resources (Section 151 Officer)

Name:

Signed:

Date:

APPENDIX B

What we need to adhere to comply with the DWP requirements for RBV

Housing Benefit and Council Tax Benefit Circular HB/CTB S11/2011(extract)

RBV allows more intense verification activity to be focussed on claims more prone to fraud and error.

It is practiced on aspects of claims in Jobcentre plus (JCP) and the Pension Disability and Carers Service (PDCS).and the intention is, RBV will be applied to all Universal Credit claims.

From April 2012 the DWP said that LA's could volunteer to use a RVB process.

What is RBV?

RBV is a method of applying different levels of checks to benefit claims according to the risk associated with those claims. The idea is so LA's can take more time on the claims that are more likely to allow Fraud and Error in to the system.

In all cases LA's are required to see proof of National Insurance Numbers and to provide evidence of their identity.

LA's have to still take in to account HB Reg 86:

"a person who makes a claim, or a person to whom housing benefit has been awarded, shall furnish such certificates, documents, information and evidence in connection with the claim or the award, or any question arising out of the claim or the award, as may reasonably be required by the relevant authority in order to determine that person's entitlement to, or continuing entitlement to housing benefit and shall do so within one month of being required to

These Regulations do not impose a requirement on authorities in relation to what **specific** information and evidence they should obtain from a claimant. However, it does require an authority to have information which allows an **accurate assessment** of a claimant's entitlement, both when a claim is first made and when the claim is reviewed. A test of reasonableness should be applied.

How does RBV work?

RBV assigns a risk rating to each HB/CTR claim. This determines the level of verification required. The idea is that we will target the medium and high risk claims in more depth. It is down to the individual LA's to classify the risk groups. Example below:

Low Risk Claims: Only essential checks are made, such as proof of identity. Consequently these claims are processed much faster than before and with significantly reduced effort from Benefit Officers without increasing the risk of fraud or error.

Medium Risk Claims: These are verified in the same way as all claims currently, with evidence of original documents required. As now, current arrangements may differ from LA to LA and it is up to LAs to ensure that they are minimising the risk to fraud and error through the approach taken.

High Risk Claims: Enhanced stringency is applied to verification. Individual LAs apply a variety of checking methods depending on local circumstances. This could include Credit Reference Agency checks, visits, increased documentation requirements etc. Resource that has been freed up from the streamlined approach to low risk claims can be focused on these high risk claims.

We would expect no more than around:

- Around 55% of claims to be assessed as low risk.
- Around 25% medium risk
- Around 20% high risk.

These figures could vary from LA to LA according to the LA's risk profiling. An additional expectation is that there should be more fraud and error detected in high risk claims when compared with medium risk claims and a greater % in medium risk than low risk. Where this proves not to be the case the risk profile should be revisited.

LAs may adopt different approaches to risk profile their claimants. Typically this will include the use of IT tools in support of their policy; however, the use of clerical systems is acceptable. We are using the Northgate profile.

The requirements for LAs that adopt RBV:

All LAs opting to apply RBV will be required to have a **RBV Policy** detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked.

We consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist. The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's agreement/recommendation. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.

The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process.

Every participating LA will need a robust baseline against which to record the impact of RBV. The source of this baseline is for the LA to determine. Some LAs carry out intensive activity (along the lines of the HB Review) to measure the stock of fraud and error in their locality. We suggest that the figures derived from cells 222 and 231 of SHBE would constitute a baseline of fraud and error currently identified by LAs.

Performance using RBV would need to be monitored monthly to ensure its effectiveness. Reporting, which must be part of the overall Policy, must, as a

minimum, include the % of cases in each risk category and the levels of fraud and error detected in each.

How RBV claims will be certified?

Auditors will check during the annual certification that the subsidy claim adheres to the LA's RBV Policy which will state the necessary level of verification needed to support the correct processing of each type of HB/CTR claim. The risk category will need to be recorded against each claim. Normally the LA's benefit IT/clerical system will allow this annotation.

Other Considerations:

The sample selection for HB/CTR cases will not change i.e. 20 cases will be selected for each headline cell on the claim form. The HB COUNT guidance used by the external auditors for certification will include instructions for how to deal with both non-RBV and RBV cases if selected in the sample. For non-RBV cases, the verification requirements will remain the same i.e. LAs will be expected to provide all the documentary evidence to support the claim.

What are the subsidy implications?

Failure by a LA to apply verification standards to HB/CTR claims as stipulated in its RBV Policy will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred. For this reason, it is important that RBV case information is routinely collected by ensuring that LA HB systems incorporate a flag to identify these RBV cases. If sub-populations on RBV cases cannot be identified, extrapolations will have to be performed across the whole population in the particular cell in question.

Appendices:
1. Governance Action Plan



AUDIT COMMITTEE REPORT

Report Title	Progress Update on Implementing the Governance Action Plan
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 3rd September 2018

Policy Document: The Governance Action Plan

Directorate: Borough Secretary

Accountable Cabinet Member: Jonathan Nunn - Leader

1. Purpose

1.1.1 This report outlines the progress made to date on implementing the Council's Governance Action Plan.

2. Recommendations

2.1 That the Committee review and comment and where appropriate constructively challenge the Governance Action Plan to inform further work on its content, development and implementation.

2.2 That the Committee agree that the Governance Action Plan is no longer required to be presented at future audit committee meetings.

3. Issues and Choices

3.1 Report Background

The Governance Action Plan has been a fundamental document for the Council. The purpose of the plan was to ensure training and support is available for officers to strengthen and ensure effective governance arrangements and processes are in place within the Council.

3.2 Plan update:

3.2.1 Of the 48 actions originally listed for implementation, two remain open. Following the update reviews, 46 actions have been closed based on evidence received. Since the last Committee meeting in June, 2018, four actions have been deemed completed.

GOVERNANCE AREA	Number of Actions	Fully Implemented	Partly Implemented	Not Implemented	To Be Confirmed
Risk Management	6	5	1	0	0
Project Processes	3	3	0	0	0
Programme & Project Support	5	5	0	0	0
Due Diligence	1	1	0	0	0
IA Recommendations	4	4	0	0	0
Exec. Decisions – Cabinet Processes	13	12	0	0	1
Governance	4	4	0	0	0
Financial Governance	11	11	0	0	0
Other	1	1	0	0	0
Total	48	46	1	0	1
Percentage	100%	96%	2%	0%	2%

The Governance Action Plan as at 21.08.18 can be found at **Appendix 1**.

3.2.2 Implementation of this Governance Action Plan was owned and overseen by this Committee, by the Leader of the Council, the Chief Executive and the Statutory Officers.

3.3 Improvement areas

The following are the areas covered since the last committee where improvements have been made. The Governance Action Plan itself has always been a precursor to further detailed work that is required to enable the control environment within the Council to be effective and robust.

3.3.1 Risk Management

3.3.2 Risk management is a key priority in the Governance Action Plan and has three linked tasks which are firstly to review the risk management framework, policy, procedures and processes of the Council, secondly to embed risk management throughout the organisation and lastly to ensure there is effective risk reporting through the governance process.

3.3.3 Training plans have, in the main, been completed for most officers and members of the Audit Committee. However, there are a few people that still have to be interviewed to ascertain their requirements although the general consensus so far is that members and officers would appreciate training in risk management albeit maybe at different levels of understanding. Arrangements will be made with the Independent Chair of Audit to organise training sessions in the next quarter for audit committee members.

3.3.4 The corporate risk register has been updated during August 2018 and is currently in draft stage for presentation to Cabinet in October 2018. The register has additions and the removal of risks that are either no longer relevant, have merged with other risks identified or have transitioned into issues rather than risks. The update has taken into account the NBC restructure that will be effective as of 3rd September, 2018 and as such all Heads of Service had input into the risk register which will be updated on a quarterly basis.

3.3.5 The corporate risk register will be presented to the December 2018 Audit Committee.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There will be various impacts and indeed transformation of current policies. The governance action plan will ensure that all policies are tightened and individually and in aggregate contribute to embedding effective arrangements for risk management and to building a strong control environment at the Council.

4.1.2 Compliance with these policies will be monitored through the Internal Control reviews and reported upon through the governance structure and to the Audit Committee starting in the new financial year.

4.2 Resources and Risk

4.2.1 The additional capacity required to implement the governance action plan previously reported to the Audit Committee has now been put in place through normal decision-making processes. Financial implications will be reported through the budget process.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Whilst there are no specific equality implications at this stage, various HR policies will be reviewed through the governance action plan. All these reviews will be supported by equality and community impact assessments using Stonewall LGBT rights charity.

4.5 Consultees (Internal and External)

4.5.1 Internal consultation has taken place with Corporate Management Board and other senior officers, LGSS finance, and Internal Audit and External Audit on

the matters in the governance action plan and external expert advice has been taken where required.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Various internal working documents

Joanne Bonham, Governance & Risk Manager

OPEN ACTIONS AS AT 21.08.18

Process area	REF.	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	Status	RESPONSIBLE OFFICER UPDATE AS AT 31.07.18	REVIEW DATE
A. RISK MANAGEMENT	6	<p>Generate a training plan for key officer and member groups to include</p> <ul style="list-style-type: none"> • Management Team • Heads of Service • Project Managers • Members - Cabinet • Audit Committee members <p>Specialist risk management training to become mandatory for all officers involved in projects. This to apply to current and future projects.</p> <p>Specialist training, workshops to be arranged and delivered with external and internal resources and in consultation with the Council's internal auditors</p> <p>Establish and embed risk management surgeries.</p>	H	Governance & Risk Manager	30.09.17	Partially Implemented	80%	Overdue	<p>Proforma Training and Development form devised and to date the following have still to be interviewed:</p> <ul style="list-style-type: none"> - Audit Committee (New Independent Chair, M.Markham, C.Chunga) - Chief Executive - Borough secretary <p>Governance team to embed themselves within DMT's to discuss, review and update risk registers on a regular basis.</p>	30.11.18
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS	30	<ul style="list-style-type: none"> • Monitoring of Cabinet decisions, implementation and compliance, included delegated decisions. <p>To include regular reporting to the leader and audit committee.</p>	H	Borough Secretary	TBC	TBC	TBC	TBC	<p>The Democratic Services delegations have been audited by PWC. The service will be undergoing an internal review of their processes in line with the update of the Constitution in Autumn 2018. Cabinet decisions and reporting will be developed and included within the process.</p>	30.11.18

COMPLETED ACTIONS July/August 2018

Process area	REF.	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.07.18	REVIEW DATE
D. DUE DILLIGENCE (Incl. loans to 3rd parties)	15	• Establish a due diligence and compliance manual	H	Chief Financial Officer	31.3.18	Completed	50%		1. First stage (Loans Checklist) fully completed and in place. Second stage (production of the Manual itself) has not been decided yet as there is ongoing changes within the constitution and governance arrangements surrounding the approval of loans is generally more stringent than in previous years under the guidance of the S151 Officer.	30.6.18
	22	• Deliver training on Equality Impact Assessments	H	Leadership Support	30.10.17	Completed	100%		Equalities training included in the Licence to Practice Programme dates confirmed for September 2018. Equalities training provider identified as Qube learning.	30.6.18
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS	31	Delivery of the Licence to Practice Organisational Development and Training Plan to address key governance areas to improve governance skill-sets and capacity	H	Borough Secretary/Interim HR Manager	31.12.18	Partially Implemented	75%	Ongoing	A review of the plan has identified areas where internal training can be facilitated and specialist areas for external consultants i.e due diligence, risk management & some elements of project management. This is an ongoing project that will incorporate numerous training courses throughout NBC over the next 18 months.	30.6.19
	34	Ensure there are adequate processes (incl. planning, engagement and best practice processes) in place in 17/18 to produce the Annual Governance Statement (AGS) in a timely manner	H	Governance & Risk Manager	31.5.18	Partially Implemented	99%		The 17/18 AGS is in draft form.	31.3.19
G. GOVERNANCE										

Completed Actions

26

Process area	REF:	ACTION	Action Priority	RESPONSIBLE OFFICER	DATE BY	IMPLEMENTATION STATUS	% COMPLETE	ON-TRACK RAG STATUS	RESPONSIBLE OFFICER UPDATE AS AT 31.08.17	REVIEW DATE
A. RISK MANAGEMENT	1	• Risk Policy and Framework to be reviewed by Management Board	H	Governance & Risk Manager	31.08.17	Completed	100%		Document presented to Management Board 9th November and was accepted in principle.	31.12.17
	2	• Risk Management Strategy and Framework to be reviewed by Audit Committee.	H	Governance & Risk Manager	30.09.17	Completed	100%		Presented to the Audit Committee 15th January 2018	31.12.17
	3	• Governance monitoring arrangements to be in place with updates taken to the Audit Committee	H	Governance & Risk Manager	30.09.17	Completed	100%		Regular updates of the LTP and GAP and performance on the annual audit plan are in place. Reporting of outstanding audit recommendations to be made to Audit Committee 13th November 2017.	31.12.17
	4	• Refresh and cascade the risk management strategy and framework	H	Governance & Risk Manager	31.03.18	Completed	100%		Work has started to embed the risk management strategy throughout the business through involvement with service area DMT's. Service plans and related risk registers and KPI's are included in a new format. The governance team are working with the service areas to complete these	31.03.18
	5	• Schedule of risk related policies to be approved by Management Board	H	Governance & Risk Manager	31.08.17	Completed	100%		As above - policy and strategy approved by MB 9th November, 2017..	31.12.17
B. REVIEW ALL CURRENT PROJECT PROCESSES	7	Post-implementation review of the operation and effectiveness of the Executive Programme Board since its establishment in late 2016	H	Chief Executive	30.09.17	Completed	100%		The EPB is regarded as an effective board for review of information to be submitted to Cabinet for approval. The board is a useful platform for constructive discussion to ascertain clarity between the Officers and Members prior to Cabinet meetings.	31.12.17
	8	Identify and log all projects currently live and in the pipeline. Perform reviews of each project for feasibility and governance assurance. Ensure all relevant projects to go through a gateway or similar process, including a) Categorise and apply rigorous but proportionate methodologies and documentation. b) Requirement for a Project Initiation Document (PID), minuted project/programme meetings and a full risk assessment c) Programmes/projects will be required to be maintained on central paper records with clear documented minutes of meetings and professional advice received.	H	Borough Secretary	30.09.17	Completed	100%		A register will be produced and maintained centrally and reviewed by Management Board. Individual project registers for IT and 'other' will be merged into one main document with reference numbers allocated once approved by Corporate Management Board.	30.6.18

Completed Actions

27

	9	<p>Risk reporting to be reviewed ensuring that there is an effective cascade and tracking of risk through governance arrangements</p> <p>Refreshed monitoring and tracking process ie project/service risks may also become a corporate risk</p> <p>Clarity on risk exception reporting process. Corporate, service and project risks are to be reviewed monthly.</p>	H	Borough Secretary	31.3.18	Completed	100%	<p>A revised risk register template has been implemented and incorporates a service risk log, information risk log, fraud risk log and health and safety risk log.</p> <p>The governance team will be working with each directorate and service areas to record the risks within their areas; the registers will be updated each quarter.</p> <p>Once updated, the risk registers will be presented to the Corporate Improvement Board for review and where appropriate, identified risks will be escalated to management board for inclusion in the corporate risk register.</p> <p>The corporate risk register will also be reviewed quarterly with recommendations made to management board in relation to adding/deleting new and existing risks.</p>	31.12.17
C. PROGRAMME & PROJECT SUPPORT	10	<p>• Transfer of one permanent and one fixed term project management staff under TUPE from LGSS back to NBC to be completed on 1 January 2017</p>	H	Borough Secretary	01.01.17	Completed	100%	<p>Transfer completed</p>	31.01.17
	11	<p>• Develop and Implement enhanced Corporate project and Programme Management Framework and arrangements. To include a Corporate Governance & Support Officer Programme Board; Northampton Alive Officer Programme Board and an Efficiency/MTFS Officer Programme Board.</p> <p>Include within the Framework the requirement for regularly reporting back to Cabinet on all projects is in place.</p>	H	Director of Regeneration, Enterprise and Planning	31.09.17	Completed	100%	<p>Project Management Framework document reviewed by Management Board 30th November, 2017. Document was accepted in principle and is in the process of being refined to incorporate governance arrangements.</p> <p>Boards have been identified and implemented to be in place from 4th January 2018 to include a:</p> <ul style="list-style-type: none"> Corporate Delivery Board (monthly) Corporate Performance Board (bi-monthly) Corporate Improvement Board (bi-monthly) Corporate Management Board (bi-monthly) <p>The Corporate Delivery Board is responsible for reviewing all projects and performing gateway reviews before recommendations are made to Corporate Management Board.</p>	31.12.17
	12	<p>• Appoint a Governance and Risk Manager to improve relevant areas</p>	H	Borough Secretary	31.03.17	Completed	100%	<p>Appointment effective from 27.03.17 Interim from 27/3/17 Permanent recruitment as of 5/6/17</p>	31.12.17
	13	<p>• Each project/programme to require the completion of a declaration of interests form by each participant (member or officer or advisor) and to be maintained as part of the project governance documentation</p>	H	Borough Secretary	30.09.17	Completed	100%	<p>Policy for Employees Code of Conduct includes the declaration of interest. An employee/member declaration of interest register is currently maintained by democratic services.</p> <p>Declaration of interest is included within the Corporate Project Management Framework documentation and will be linked to the Corporate declaration of interest forms..</p>	31.12.17

Completed Actions

	14	<ul style="list-style-type: none"> Mandatory Training programme on project programmes and major projects competencies to be completed as part of the Licence to Practice Programme and to be written into staff contracts 	H	Governance & Risk Manager	31.12.17	Not Implemented	100%		Major programme and project management training is included in LTP as a high-priority module. Mandatory training element will be progressed in line with roll-out of the project management framework to start March 2018 onwards.	30.6.18
E. INTERNAL AUDIT RECOMMENDATIONS	16	<ul style="list-style-type: none"> Review all internal audit recommendations since June 2013 Implement PwC audit recommendation tracking software (TrAction) 	H	Finance & Strategic Business Partners	30.06.17	Completed	100%		Action completed Recommendations closed on TrAction	31.12.17
	17	<ul style="list-style-type: none"> Assess delivery of all internal audit recommendations since June 2013 where not already delivered. 	H	Finance & Strategic Business Partners	30.06.17	Completed	100%		Extensive data cleansing has taken place to ensure that all internal audit recommendations still open on TrAction have been re-examined and followed up to ensure they have been actioned. The open findings have reduced from 115 to 16 up to year ending 2015/16, with robust system now in place to follow up when a new audit is carried out and actions are checked before the expiry date.	31.12.17
	18	<ul style="list-style-type: none"> Improve internal audit reporting to Audit Committee 	H	Chief Financial Officer	30.06.17	Completed	100%		Both the IA and EA internal audit teams have put in co-ordinated/joint reporting and also more in-depth reporting to the Audit Committee than before.	31.12.17
	19	<ul style="list-style-type: none"> Set and monitor client-side target in 2017/18 for the full 100% implementation of all agreed internal audit recommendations by the due date (TrAction) Report progress on delivery of internal audit recommendations to Management Board and Audit Committee 	H	Chief Financial Officer	30.09.17	Completed	100%		Reporting of the implementation of recommendations will be incorporated as part of updates to the Audit Committee.	31.12.17
F. EFFECTIVE DECISIONS - CABINET CLEARANCE PROCESS	20	<ul style="list-style-type: none"> Revise and cascade changes to the Call Over process Ensure that there is an evaluation period and process for the new arrangements on Call Over 	H	Chief Executive	31.12.16	Completed	100%		Call over process reviewed. Two stage Call Over Process implemented with Management Board oversight of standards and content of reports. Deadlines published on the intranet to assist Officers.	31.12.17
	21	<ul style="list-style-type: none"> Deliver training on Standards Committee requirements 	H	Chief Executive	31.12.16	Completed	100%		Fully Implemented Training programme for 17/18 published following approval at the March 2017 Standards Committee meeting. Evidenced in the minutes for the Standards Committee and included in subsequent meeting agendas.	31.12.17

Completed Actions

29

	23	• Provide better Cabinet clearance report guidance	H	Chief Executive	31.03.17	Completed	100%	Cabinet report guide for 17/18 published and implemented. Dates defined for cabinet reporting and the process to follow prior to the meetings for report clearance. Reminders are issued to Officers to ensure reports are submitted, reviewed and challenged by Management Board and escalated to Executive Programme Board for final review.	31.12.17	
	24	• Ensure there is the requirement for frontloading of full information at the Cabinet clearance stage in place	H	Chief Executive	30.11.17	Completed	100%		31.12.17	
	25	• Review process for formal clearance	H	Borough Secretary	31.03.17	Completed	100%		31.12.17	
	26	• Review and refresh clearance process	H	Borough Secretary	31.03.17	Completed	100%		31.12.17	
	27	• Ensure basic guidelines on Cabinet process are circulated	H	Borough Secretary	31.03.17	Completed	100%		31.12.17	
	28	• Ensure clearance subject to compliance with final council business case and appropriate business model	H	Borough Secretary & Chief Financial Officer	31.03.17	Completed	100%		Action completed	31.12.17
	29	• Reports to contain adequate and evidenced information to support decision needed	H	Borough Secretary & Chief Financial Officer	31.03.17	Completed	100%		Templates are included on the Democratic Services intranet page to ensure report content is relevant.	31.12.17
	32	Exception reporting (to MB, Audit Committee and the Governance and Support Officer Group GSOG) to be in place across all key governance action plan areas, including the Plan itself and other key initiatives such as Licence to Practice, the implementation of agreed audit recommendations and review against compliance with CIPFA/SOLACE guidelines and also within the risk management framework in relation to the escalation of significant risks	H	Borough Secretary	31.12.17	Completed	100%		In place, exception reporting to the Corporate Governance Support Board, Management Board and Audit Committee.	31.12.17
G. GOVERNANCE	33	<p>• Carry out a fundamental review of all current NBC governance arrangements against the CIPFA/SOLACE 2016 standard.</p> <p>° full gap analysis and action plan to address any identified weaknesses</p> <p>° Update the local code with annual reporting against the code to Audit Committee</p> <p>External validation report of progress against the standard</p>	H	Governance & Risk Manager	30.09.17	Completed	100%	<p>An assessment has been carried out and the results are:</p> <p>Actions in place/partly in place = 84%</p> <p>Not in place = 16%</p> <p>Quite a number of actions relate to the update of policies and procedures.</p> <p>A full gap analysis was presented at the January 2018 Audit Committee. The actions to be addressed will be ongoing over the next two years with a view to gaining accreditation in the third year. The actions needed are intrinsically linked to the change in management and culture within NBC.</p>	Annual review	

Completed Actions

30

	35	• Communicate the importance of raising purchase orders with budget managers.	H	Chief Finance Officers	30.04.17	Completed	100%		Financial Management Training was undertaken in March and 28 out of 34 (82%) of NBC Managers who were invited, attended. The "licence to practice" programme is under development and a further round of finance training will be undertaken as part of that. This will include not only those who were unable to attend in March, but also a refresh for those who were. PO's were included in the training presentation slides.	31.12.17
	36	• Enhance reporting of non-compliant purchase orders to Management Board, Directorate Management Teams and Service Management Teams by improving dashboard	H	Chief Finance Officers	31.10.16	Completed	100%		Action Completed Report obtained for Sept - Nov 2016 and June - August 2017. Monthly report produced for MB.	31.12.17
H. FINANCIAL GOVERNANCE	37	• Write to suppliers to inform them they must request an order number for any NBC work	H	Chief Finance Officers	31.12.16	Completed	100%		Copy of correspondence received. All suppliers listed on Agresso were sent the communication by post. Replies were not monitored.	31.12.17
	38	• Review system controls and implement improvements	H	Chief Finance Officers	31.10.16	Completed	100%		Last review by IA was in 16/17 by LGSS and PWC. KPMG have not performed any work around systems control.	31.12.17
	39	• Review and improve reserves drawdown process	H	Chief Finance Officers	31.12.16	Completed	100%		Finance have improved consistency of process, and therefore compliance, by introducing a single form for supplementary estimates/reserves/virement which includes guidance on process. The compulsory finance training undertaken in March included training on this process, and participants were tested on their understanding.	31.12.17
	40	• Ensure there is improved compliance with the reserves drawdown process	H	Chief Finance Officers	31.12.16	Completed	100%		Supplementary Estimates and Reserve Drawdowns are reported to Management Board and Cabinet as part of the regular finance monitoring reports.	31.12.17
	41	• Ensure there is improved reporting of the reserves drawdown process	H	Chief Finance Officers	31.12.16	Completed	100%			31.12.17
	42	• Review the supplementary estimate process and improve compliance	H	Chief Finance Officers	31.12.16	Completed	100%			31.12.17
	43	• Review virement process and improve compliance and reporting	H	Chief Finance Officers	31.12.16	Completed	100%			31.12.17

Completed Actions

31

	44	• Establish a gateway process for progressing capital programme schemes through each stage of their capital programme life	H	Chief Finance Officers	30.06.17	Completed	100%		The action of establishing a gateway process is fully complete as the Development Pool (not Board) was established in February 2017 as part of the budget setting process. Projects will move from the Development Pool into the Approved Programme when costs have been fully quantified and a robust business case is developed and approved. The timing of this depends on the project, the fact that no projects have yet reached that stage however does not mean that the action is incomplete.	31.12.17
	45	• Mandatory Training covering all aspects of financial management is in place to raise financial awareness	H	Chief Finance Officers	30.09.17	Completed	100%		Financial Management Training was undertaken in March, 2017 and 28 out of 34 (82%) of NBC Managers who were invited, attended. The remaining finance personnel have one on one training through email communication (3rd Jan, 2018). A further round of finance training will be undertaken in March 2018.	31.12.17
	46	• Effective Whistleblowing arrangements are in place	H	Borough Secretary	31.08.17	Completed	100%		Policy approved at full cabinet 21/06/2017. External provider selected and currently finalising T's & C's. Implementation go live 1st November.	31.12.17
I. OTHER	47	• All HR policies and procedures to be reviewed	H	HR Business Partner	30.09.17	Completed	100%		Policies are now reviewed and going through the approval and assessment where necessary for EIA. After discussion with the HR Business Partner, the delay on this is due to the review panel. They are only able to meet once per week which results in only one or two policies being approved. This process is taking longer than estimated and it is being looked in to for another body to review the documents to get them uploaded on the internaet/intranet asap.	31.12.17
	48	• Review Officer and Member Hospitality policy and guidance and publish guidance	H	Borough Secretary	30.09.17	Completed	100%		Officers - The Employees' Code of Conduct contains the requirements in relation to registration of personal interests and gifts/hospitality by officers. It also contains the associated updated forms. Members - Completed - training on gifts and hospitality was delivered to members on 9th October, 2017. The intranet/internet has been updated to reflect the new documents.	31.12.17

Appendices: Nil



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Treasury Management Amendment
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	3 rd September 2018
Policy Document:	Yes
Directorate:	Chief Finance Officer
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To present Committee with a proposed amendment to the NBC Treasury Management Policy.

2. Recommendations

- 2.1 To consider the contents of this finance treasury management policy report.
- 2.2 That Audit Committee recommends Council to approve the use of property investments, direct and indirect, to achieve improvements in Treasury yields, up to a maximum investment value of £16.000M.
- 2.3 That Audit Committee recommends Council to approve the delegated powers as set out in paragraphs 3.3.2.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Treasury funds are all in 'cash' institutions so in the main, achieving less than 0.5% in interest, these amendments seek to utilise the cash held in specific reserves as part of the resources available to the council to deliver VfM and increase 'income' from the Treasury service.
- 3.1.2 The Council currently has not specifically identified the ability to invest in indirect property funds in its Treasury Management options, but this is

available to Local Authorities. (In particular through CCLA which has a special status allowing for Treasury Investments by Local Authorities).

- 3.1.3 The Council also does not currently have the ability, under its Treasury Management options to invest directly in property, for Treasury purposes (as opposed to regeneration or capital investment). The subtle difference is that the Treasury investment in property must be of a nature that allows for liquidation and achieves an agreed yield, these properties might not be within the NBC boundary as they will be seen as medium term acquisitions for yield, as opposed to holding cash in banks). Removing this distinction would also assist in providing a more balanced portfolio which balances returns with the Council's duty to maintain appropriate security and liquidity of public monies
- 3.1.4 Delegated power is sought to widen the Council's ability to invest in property funds, where appropriate circumstances arise. Independent external advice will be sought in respect of suitability, viability and the ability to 'liquidate' such investments. As these will be Treasury Property Investments, they may be in property assets outside of the Borough's geographic area, which will allow for an element of spreading exposure and risk.

3.2 Interest Rate Forecasts

- 3.2.1 The Council uses Link Asset Services (ex-Capita Assets) as a treasury adviser to the Council who, as part of their service, assist the Council in formulating a view on interest rates. LAS' view is that interest rates are likely to remain static for at least one year, and that increases beyond this would be incremental. Although there are inflationary pressures, there is also uncertainty as to how Brexit negotiations will affect the wider economy. This view is supported by forecasts obtained from the Centre for Economics and Business Research, who anticipate no base rate increases until the end of 2018 and then it is likely to be graduated. This means the council is unlikely to achieve 1.0% through deposits until 2020/21.

3.3 Treasury Investment Proposals

- 3.3.1 Whilst the Strategy and Policies in respect of NBC Treasury Management are set out in the documents approved by Full Council, the actual delegation/approval to enact these transactions requires clarification. Therefore, to ensure that the use of these investments is appropriately considered and approved, the following seeks to clarify the approval/authorisation process.
- 3.3.2 Audit Committee is therefore asked to consider and recommend to Council.
 - a) To approve investments of up to £8.000M, in one or more indirect property funds and to delegate power to the Section 151 Officer, after consultation with the Portfolio Holder for Finance, and after receipt of advice from LAS with due regard to security and liquidity, to approve such investments subject to the limitation that funds to be invested in would be restricted to those that are already utilised by one or more other Local Authorities and offering in excess of 4% return/yield at the time that the investment is placed.
 - b) To approve the direct investment of up to £8.000M in commercial property for Treasury Yield purposes only, and to delegate authority to the Chief Executive, in consultation with the Section 151 Officer and the Head of

Assets/Regeneration after consultation with the Leader and the Portfolio Holders for Finance and Assets to approve such acquisitions and disposals.

- 3.3.3 Investing up to £16.000M and achieving just 4.00% against the current average of c0.50% could improve our Treasury income by c£0.500M. It must be noted that from an accounting presentation view, these funds will not appear 'spent' in the reserve balances, as it is a cash/treasury approach. This approach prevents revenue v capital issues arising.
- 3.3.4 The Reserves supported by cash that will be used for such investments will include the General Fund and funds held in the collection fund for Business Rates appeals etc. These are considered to be available for longer term investment and cannot be used by NBC as standard forms of funding for capital projects.

3.4 Choices (Options)

- 3.3.5 Audit Committee has the choice to accept these proposals and submit a recommendation to Council to amend the NBC Treasury Management Policy/Strategy, or it can choose not to accept them, acknowledging the opportunity to increase income by c£0.500M would be foregone.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The policy implications are contained in the body of the report.

4.2 Resources and Risk

- 4.2.1 NBC currently places all treasury assets (cash) in standard bank institutions. Whilst investing in alternative Treasury vehicles represents some risk, it has to be balanced with the fact that investments in banks are only underwritten by Government up to £85,000 (since 2016).
- 4.2.2 As with all investments there is an element of risk, but this will be mitigated to ensure that whilst a good level of yield is sought, it will not be at the detriment of security and liquidity.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

- 4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 None identified.

5. Background Papers

Northampton Borough Council – Treasury Management Strategy

General Fund Revenue Budget and Capital Programme 2018/19 and Medium Term Financial Plan 2018/19 – 2022/23, Appendix 5 28 February 2018

Audit Committee Report 18th June 18

Stuart McGregor
Chief Finance Officer