

# NORTHAMPTON BOROUGH COUNCIL

## AUDIT COMMITTEE

Monday, 26 October 2020

**PRESENT:** Ian Orrell (Chair); Councillor Oldham (Deputy Chair); Councillors Marriott, Stone, Bottwood and Golby

### 1. APOLOGIES

There were none.

### 2. MINUTES

The Minutes of the meeting held on 24 August 2020 were agreed subject to the amendment to the apologies to add Councillor Bottwood.

### 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. DRAFT STATEMENT OF ACCOUNTS 2019-20

At the Chair's invitation, the Corporate Accountant introduced and presented the draft Statement of Accounts for 2019-20. She explained that the accounts as presented to the committee fully reflect the transactions recorded in the financial books of the Borough for the 2019-20 year and as such can be formally released allowing the period of public inspection to commence.

The Narrative Report placed at the front of the Statement of Accounts document to provide the key information for those that wish to understand how the council tax and housing rents have been spent in the year.

The Corporate Accountant stated that the core statements had been prepared in accordance with the Chartered Institute of Public Finance's Code of Practice for Local Authority Accounting for 2019-20, and highlighted the salient points:

- The Net Assets of the Council increased by just under £29m during the year to £460m
- The usable reserves of the Council reduced by over £8m in that period, as a result of investment in the Borough's assets
- The Income and Expenditure Statement demonstrates a deficit of £15m, with £29m of property valuation increases and a £15m actuarial gain on pension assets and liabilities
- There was no change to the main General Fund and Housing Revenue Account balances
- The Cash Flow Statement explains how the net cost of services figure of a £15m deficit is related to the increase in cash balances
- The final statement, the Expenditure and Funding Analysis, starts from the net

movement in earmarked and general reserves held for general fund and HRA purposes and maps through to the provision of services figure in the Comprehensive.

The Corporate Accountant summarised that the accounts contained three specialist sets of statements: The Housing Revenue Account, the Collection Fund and the Group Accounts. She concluded that the accounts statement was over 140 pages and had been compiled by a number of colleagues. The Corporate Accountant expressed her thanks to everyone who had worked on the draft Statement of Accounts for 2019-20 and invited the Audit Committee to ask any questions.

Members discussed the report and asked if there was an expectation of when the sign off of the accounts would be completed. The Chief Finance Officer explained that it would depend on the external auditors EY as they would have the final sign off, as it could continue to the migration into Unitary. Steve Clark from EY summarised that the 18/19 accounts were still being worked on and they hoped these would be signed off before Christmas, which would lead them onto the 19/20 accounts which they would endeavour to sign off before the end of March 2021.

Members asked questions surrounding the use of section 106 money, governance policies for the Unitary council and the Mayor's allowances. The Chief Finance Officer clarified that the section 151 officer had been appointed for the West Northants Unitary and they would be working on the new council's financial matters. At NBC the Director of Planning was responsible for monitoring the use of section 106 monies and he will continue to ensure this is compliant and put to good use. In terms of governance, the shadow authority is currently working on policies and promoting good governance in their workstreams. As for the Mayor's allowance, the allowance is at the Mayor's discretion.

The Chair asked a question regarding the non-financial performance indicators on page 17 and the process for monitoring these indicators. The Chief Finance Officer confirmed that a report is produced quarterly and brought to Cabinet for the Leader and Councillors to review and question.

The Chair put forward two additional questions to the Corporate Accountant requesting an explanation for the significant reduction of income charges and the use of short-term investments as demonstrated in the core financial statements. The Corporate Accountant agreed to produce detailed answers outside of the meeting which would be circulated to the Audit Committee.

**RESOLVED:** That the Committee:

- Noted and provided comments on the Statement of Accounts for 2019-20.
- Noted that the delay in delivering the draft accounts statement related both to work on concluding the 2018-19 accounts and the impact of Covid-19.

## **7. DRAFT ANNUAL GOVERNANCE STATEMENT 2019-20**

At the Chair's Invitation, the Governance and Risk manager presented the draft Annual Governance Statement (AGS) for 2019-20 and explained that the AGS is produced annually in line with the statement of accounts. The draft report would be reviewed and signed off by the Leader of the Council and the Section 151 Officer once agreed. The statement details the Council's governance structure, risk management and includes extract of opinions received from auditors. Overall, the draft Annual Governance Statement is a positive report

for 2019-20, with significant improvements from the previous year. The Governance and Risk manager recommended that the Audit Committee note the report.

Members thanked the Governance and Risk manager for the report and asked if the work was benchmarked against other authorities. The Governance and Risk manager responded that it is not as every authority is unique, and the constitution and internal audit opinion is used to inform the report.

**RESOLVED:** That the Committee reviewed and noted the content the draft Annual Governance Statement.

## **10. VERBAL UPDATE FROM EY**

At the Chair's invitation, Steve Clark from EY provided a verbal update to the Audit Committee and highlighted the following points:

- EY had been working closely with Jean and the team at NCC and plans to have 18/19 and 19/20 audits signed off by 31<sup>st</sup> March 2021.
- Although EY recognises the time pressures and other work commitments leading up to the Unitary authority, they will endeavour to manage expectations and complete work as quickly as possible.
- He explained that EY is required to provide an external audit opinion on the demise of the Council in the 19/20 statement.

The Chair asked regarding the assessment to be detailed in the 19/20 accounts, why this would be different to the usual audit opinion as the Unitary comes into being in April 2021. Steve Clark explained that finances for NBC would be available up until March, including its reserves so the statement would take into consideration the liquidity position of the Council. He continued that usually external auditors would be able to provide a 12-month forecast into the year ahead, but as key financial decisions would still need to be made by the West Northants authority. He would expect that the 19-20 statement would capture the position of the Council up until 31<sup>st</sup> March, with an outline of what decisions still needed to be made and how this will impact the Unitary council.

The Chief Finance Officer explained that discussions had taken place surrounding the challenges ahead. By the sign off of accounts, the shadow authorities should be able to provide a draft budget which should provide assurance.

**RESOLVED:** That the Audit Committee noted the verbal update

## **8. CHIEF FINANCE OFFICER REPORT**

At the Chair's invitation, the Chief Finance Officer presented his report and highlighted the error contained on page 173 in section 4.5.1 of the report it should read 'internal auditors BDO'. He confirmed there had been no accounting policy changes and the treasury management mid-year report would be brought to Audit Committee in December. In section 3.6 of the report, the Internal Audit Program the Chief Finance Officer highlighted the support received from BDO with checking and providing assurance with issuing BEIS Business grants as a result of the national lockdown caused by Covid-19. As a result the Internal Audit Program had been revised and a summary is provided in the report, as several audits were removed but carried forward for the West Northants authority. In terms of a budget update, the report shows a reduced overspend from £1.4 to just below £1m and the Chief Finance Officer confirmed that the Council was in the process of producing the next finance report for the next meeting of Cabinet on 11 November 2020 and he hoped to see the same improvement on the budget.

Members thanked the Chief Finance Officer for his report and discussed zero-scale budgeting.

**RESOLVED:** That the Audit Committee noted:

- 2.1.1 The progress towards completing the Statement of Accounts for 2019-20.
- 2.1.2 That there have been no changes to Accounting Policies.
- 2.1.3 That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.
- 2.1.4 That subject to Cabinet approval, a request will be made to Council in September 2020 to increase HRA borrowing and budget by £50M to enable the pursuit of further housing schemes.
- 2.1.5 The revised Internal Audit programme as per paragraph 3.5 and contained in the appendix to this report.

The meeting concluded at 7:17 pm