

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 15 June 2015

PRESENT: Councillor Nunn (Chair); Councillor Golby (Deputy Chair); Councillor Gowen as substitute for Councillor Marriott, Councillors Chunga, Kilbride and Stone

1. APOLOGIES

Apologies were received from Councillor Marriott.

2. MINUTES

The minutes of the last meeting held on 16th March 2015 were agreed as a true record save for the amendment of item 11 paragraph 2 amended to:-

The financial delegations review was a key piece of work and the approval process with Agresso was time consuming to audit but the aim was to complete it by the end of the month. The review of the Chief Finance Officer Service (S151 Officer) started this week and the Environmental Services review had already started but the work required the output of delegations as they were linked.

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. INTERNAL AUDIT UPDATE - DRAFT ANNUAL REPORT

Chris Dickens of PWC confirmed that the Draft Annual Report had not been circulated as the content had only just been agreed with management. Chris Dickens gave a verbal update to members on what the report contained and in particular the opinion that was included in the report. He outlined the internal audit arrangements that had been in place since the transfer to LGSS and explained that this has resulted in some difficulties in obtaining information and also in identifying ownership of issues within the Council.

He explained that the Council was able to gain assurance over the transactional processes that had been reviewed by LGSS but the elements that fall under the councils remit had been difficult to assess. This had been raised at previous meetings of the committee. In the areas that had been audited examples were noted of good controls and effective governance arrangements in place. One area of concern related to financial delegations. Chris Dickens explained that NBC had not assured itself that the financial delegations being used by LGSS were correct. In his view that part of the problem related to the fact that NBC Officers worked with the very same officers they worked with before the transfer, although the reality is the LGSS is a separate entity now. In Chris Dicken's view, the financial delegations issue was easy to resolve the committee was asked to consider reporting this in the Councils annual governance statement. PwC had been assured by management that

this issue would be addressed promptly.

Chris Dickens explained that as a result of the issues noted above, the delays in getting the Audit Plan finally approved and the limitations on internal audit's ability to complete the programme of work, PwC were unable to provide an opinion on the adequacy and effectiveness of Northampton Borough Council's arrangements for governance, risk management and control for 2014/15.

In response to a question from Councillor Goldby, Chris Dickens confirmed that the issues relating to availability of information had improved and this should enable more work to be completed in 2015/16 which would allow for an internal audit opinion to be provided. He confirmed that LGSS operated the Council's finance system and had largely the same people operating it as the Council did.

Kelly Watson from LGSS confirmed that LGSS operate a number of different financial systems for different organisations and they had extensive controls and mechanisms in place for each organisation to ensure the integrity of the data is maintained. The provider of the financial system used for the Council is Unit 4 who issue system updates and upgrades. NBC and LGSS have a license with Unit4 to use the software. NBC/LGSS do not have the IT software expertise and knowledge to operate a financial system 'in house'. The majority of other local authorities and companies operate their financial ledger system this way. Regarding the process to ensure the Council is using the right system, the Council goes out to open tender on a regular basis to ensure they receive best value for money.

Paul Clarke, Group Auditor, LGSS confirmed that they had controls and procedures in place within LGSS, they were performance monitored and had regular meetings to ensure the system remains fit for purpose.

In response to a question from Councillor Chunga, Kelly Watson confirmed that the Council had previously tendered for the Agresso system and had undertaken the necessary market testing to ensure that it was the best system for them to use. The Committee asked for more information about how the financial system had been tendered and have it on their plan to understand better.

Councillor Nunn requested that a brief summary of the procurement process be presented to the next meeting.

Chris Dickens commented that if there was a change to the financial system then it would be reflected in the risk register and would be considered as part of the audit planning process.

Action – Finance to provide a brief summary of the procurement process to the next Audit Committee meeting.

6.1 LGSS INTERNAL AUDIT: ASSURANCE OPINIONS ON KEY FINANCIAL SYSTEMS 2014/15

Paul Clarke, Group Auditor presented a report to committee and elaborated thereon. He confirmed there had been a split in the work between them and PwC to avoid any duplication of work. He confirmed that this was the second year of reviewing this work, the first year they had gone through the systems design and controls throughout and had been testing this again by carrying out walk through tests this year. They had been happy with the design controls in place and had ensured that they were still operating and the results were in the report attached. Overall they had been pleased with the results and further detail was in the appendix.

Councillor Gowen commented that on some of the findings the level of assurance was as it was previously although the assurance had not been given previously.

Paul Clarke confirmed that there were no changes and any actions had been taken and implemented. The report information had already been provided at previous meetings although it could be circulated again after this meeting.

In response from a question from Councillor Stone, Kelly Watson confirmed that Counterparties were banks or other financial institutions which the council could invest its surplus cash with. The Treasury Management report, approved by Council in February, provided information on who the Council is allowed to invest money with and who they were not. They had a maximum they could invest to spread the risk out.

Paul Clarke confirmed that most of the findings were substantial and it was difficult to get full assurance across the board.

Andy Cardoza confirmed that the Council had achieved good results compared to some other Local Authorities.

7. EXTERNAL AUDIT UPDATE

Andy Cardoza, External Auditor circulated an interim audit letter on the External Audit Progress to date for 2014/15. He confirmed that they had not identified any significant issues which is why they issued a letter rather than a report, although if any issues did arise then these would be reported to the Committee.

He confirmed that they had issued their 2015/16 fee letter to the Chief Executive and the fees had decreased by 25% from last year which was a significant reduction.

Councillor Stone confirmed that one of her constituents had raised any objection which had been still ongoing.

Andy Cardoza confirmed that his predecessor Neil Bellamy was still dealing with it but it was a priority for him and he had been in contact with the objector and officers. Once they had feedback then it would come to the Committee. He confirmed the ISA260 report was a summary of audit work with any adjustments and their final opinion on value for money.

Councillor Nunn confirmed that the training they have received had been very good and welcomed any fresh ideas from newcomers.

Andy Cardoza advised that he would add the Committee member's names to the KPMG Audit Committee Institute and extra training would be available for members.

Councillor Stone commented that she had been made aware of lateness of invoice payments for another organisation and requested clarity on the Council's performance.

Councillor Nunn confirmed that their performance indicators were monitored carefully and a summary of this would be available at the next meeting.

Action – Finance to provide a summary of the Council's performance indicators for payment of invoices.

Cllr Stone asked Andy Cardoza if there was any benchmarking or comparative information available for Members.

8. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was 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.

The Motion was Carried.

The meeting concluded at 18.45