

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 6 March 2017

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

APOLOGIES: Councillor Brian Oldham

1. APOLOGIES

Apologies were received by Councillors Oldham and Golby.

2. MINUTES

The Minutes of the meeting held on Monday 16th January 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 - UPDATE

The Chief Executive outlined the report and updated the Committee on progress made with the Governance Action Plan. It was noted that since the last Audit Committee further progress had been made, in areas including;

- a) Executive Programme Board
- b) Corporate Governance and Support Board
- c) Efficiency & Medium Term Finance Board and People & Transformation Board
- d) Rewriting the Constitution to bring it up to date
- e) Proposal from CIPFA received; Management Board to consider at its next available meeting

It was explained that work was still ongoing with regards to the License to Practice Training Programme and that the progress of this would be reported back at a future Audit Committee. It was noted that steps had been made to identify areas of risk and in some instances this had been remedied through the appointment of staff. The Borough Secretary added that the Governance Action Plan was a fluid document and that the Council were committed to involving all relevant members, specifically the Standards Committee with regard to the Work Plan and Whistleblowing Policy, in implementing the necessary changes to improve Governance.

In response to questions asked by the Committee, it was explained to Members that there were deadlines and timescales in place but that the practice of good governance was an inherent part of the Council function and that progress was notable. It was further noted that the Council were moving towards a more risk averse authority and that bringing back some external resources back in house, would mitigate a portion of risk. It was further noted that

decisions, processes and procedures were being undertaken with more emphasis being placed on evidence based information and that this process would continue indefinitely and would become embedded into ongoing practices. It was reported that Councillors would also be briefed and fully updated on their obligations with regards to the practice of good governance within their specific areas.

RESOLVED:

1. That the progress against the Governance Action Plan be noted.

That actions taken to date be considered and guidance be provided to Officers on any areas of the Governance Action Plan they would require any further action or prioritisation.

7. ISA260 RECOMMENDATIONS - UPDATE

The Interim Strategic Finance Manager elaborated upon his report, stating that $\frac{3}{4}$ of the 41 recommendations had been completed and a further 6 outstanding recommendations were still within the target date. He also noted that the review of existing loans had been done against a summary checklist and sent to LGSS and PWC, this was in the process of being reflected upon and would be finalised before the end of March. The actions relating to the process issuing of loans would be reported within the governance action plan instead of the ISA260 Plan. It was also mentioned that regarding documentation and valuation of assets, there had been difficulty previously in tracking documents as they were not evidenced in one place but this was being addressed; and at this point, the lack in continuity of staff was considered a risk to the process.

In response to questions asked, the Committee heard that the lack of a full Asset Management department was still a risk, but some work had been outsourced and external providers were being actively engaged with to counter those risks. It was also mentioned that the services recently brought back in-house were key areas for governance.

RESOLVED:

That the progress achieved to date be noted by the Audit Committee against action plan developed by the statutory S151 Chief Finance Officer (CFO) to make improvements in line with the 2015/16 ISA260 Recommendations.

8. FINANCIAL MONITORING REPORT

The Chief Finance Officer submitted his report, outlining the financial position to 31st December 2016 and car parking income and usage to 31st January 2017. It was explained that an underspend was expected due, but not limited, to:

- a) Car parks - An additional car parking revenue
- b) Planning – Higher level of development control income for the year offset by a drop in anticipated building control income
- c) Debt financing costs
- d) Favourable Housing and Revenue accounts

Attention was drawn to the appendices showing that income was ahead of previous years.

In response to question asked, the Committee heard that the increase in car park revenue was due to additional season tickets being purchased; this could not be guaranteed so would be monitored on a regular basis. It was also noted that any potential growth would not be factored into the report, choosing to be prudent, but it was predicted that the increased use of the town's car parks would continue this upward trend. With regard to Housing, it was

stated that using the County Chambers was a cheaper alternative than using B&Bs for temporary accommodation. It was also explained that a small amount (£29.7k) of the 141 Right to Buy Receipts funds had to be sent back to the Treasury, but that the Council were working closely with Northampton Partnership Homes to mitigate the risk of any further funds being paid back.

RESOLVED:

1. That the Committee considered the contents of the following finance reports:
 - General Fund Revenue Monitoring
 - General Fund Capital Monitoring
 - HRA Revenue Monitoring
 - HRA Capital Monitoring
2. That the position on car parking income and usage to January 31st be noted.

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

The Chief Finance Officer submitted his report, highlighting the continued downward trajectory in the number of interim/agency staff employed at the Council. It was also noted that significant changes would soon be implemented by HMRC regarding whether a person was considered an employee for tax purposes ("IR35" compliant); officers had used draft assessment criteria to see how many interim/agency staff fell in/out of scope. No existing arrangements were in place past March for staff who had been assessed as in scope.

RESOLVED:

1. That the contents of the report be considered.

10. CORPORATE DEBT - PROGRESS AND AGE DEBT ANALYSIS

The Revenues Manager elaborated on the report, stating that arrears were continuing to reduce. The Committee were informed that the Council were in better control of monies owed, that Council Tax and CTRS collections had increased and that the CTRS caseload was reducing, however, the debt was being carried by fewer people due to a rise in the number of attachment of benefits orders.

In response to questions asked, the Committee heard that there had not yet been any analysis into a correlation between reducing CTRS and the time spent chasing debt as there were no additional resources, but it was something that officers would look at moving forward. It was also noted regarding attachment of benefit claimants that only a very small amount of monies could be taken (£3.70 per week)

RESOLVED:

1. That the latest position in relation to the Council's outstanding debts as at 31st January 2017 be noted.

11. ACCOUNTING POLICIES AND STATEMENT OF ACCOUNTS CHANGES

The Head of Integrated Finance at LGSS submitted a report that sought to approve accounting policy changes to the closure of accounts. It was noted that the S151 Chief Finance Officer had increased the accruals de-minimus from £1,000 to £5,000 for 2016/17, as recommended by KPMG in the 2015/16 ISA260 report. It was also noted that there were changes to the Accounting Policies, in line with a recommendation from KPMG, and in the

format of accounts, which would reduce the non-material items reported and the accounts as a whole by about ten pages.

RESOLVED:

- 1) That Accounting policies for 2016/17 Statement of Accounts, as set out in Appendix 1 of the report, be approved by Audit Committee.
- 2) That the S151 Chief Finance Officer as part of the closure of accounts guidelines to increase the accruals de-minimus from £1,000 to £5,000 for 2016/17 be noted.

12. INTERNAL AUDIT (LGSS) PROGRESS UPDATE

The Chief Finance Officer submitted a report updating members on progress made on the LGSS internal audit. It was noted that assurance reports would be reported at the next Audit Committee; by that time, all work would have been finalised and any actions agreed.

RESOLVED:

- 1) That the progress against the 2016/17 plan be noted.

13. INTERNAL AUDIT (PWC) UPDATE REPORT

The Audit lead for PwC submitted an update report, informing the Committee on progress made against the 2016/17 plan. It was noted that due to time restraints, three items had been removed from the audit plan but that discussions were in place to extend the audit provision to support delivery of the remainder of the plan. Since the previous report, four key findings had been identified in Planning; one low risk and three medium risk. Audit fieldwork had been completed and draft reports had been prepared, to be reported at the next Audit Committee. It was further noted that much progress had been made on developing the 2017/18 audit plan, with plans on bringing a detailed audit plan to the next Audit Committee.

In response to questions asked, the Committee heard that a longer period of time than normal had been taken examining the internal arrangements within the Council for managing NTFC loan and providing lessons learned and that this was the main reason items had been dropped from the plan. It was further noted that this was not unusual; audits changed based on priority.

On behalf of the Committee and officers, the Chair thanked PwC for their continued hard work.

RESOLVED:

- 1) That progress against the 2016/17 plan be noted by the Audit Committee.
- 2) That the approach and development of the draft 2017/18 internal audit plan be approved by the Audit Committee.

14. KPMG - EXTERNAL AUDIT 2016/17 PLAN AND UPDATE

Andrew Cardoza - KPMG, submitted a report outlining the external audit plan for 2016/17. It was stated that a number of high risk issues had been identified, including:

- 1) Valuation of Council dwellings
- 2) Changes in the pension liability due to the LGPS Triennial Valuation
- 3) Management override of controls
- 4) Disclosures associated with retrospective restatement of CIES, EFA and MiRS
- 5) Change in the Non Domestic Rates system

- 6) Governance Action Plan
- 7) NTFC loan and wider loan systems
- 8) Financial resilience in the local and national economy.

It was noted that additional costs would be incurred due to the increased audit risk in 2016/17, the change to the Code and the NTFC loan Police investigation, and changes to the fee would be discussed with the Chief Executive and the Chief Finance Officer. After carrying out work on the Housing Benefit Subsidy claim and Pooling of Housing Capital Receipts Return for 2015/16, the certified values of the claim and return were £72,236,930 and £1,091,047.84 respectively. The small number of issues found meant that no adjustments needed to be made to the Council's claim.

In response to questions asked, the Committee heard that KPMG had no information on when the police investigation regarding the NTFC loan would conclude. It was noted that KPMG would give the Police all the information they required, but the Police were under no obligation to reciprocate.

The meeting concluded at 7:47 pm