

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 14 December 2020

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

2. MINUTES

The Minutes of the meeting held on 26 October 2020 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. INTERNAL AUDIT UPDATE - BDO

At the Chair's invitation, Gurpreet Dulay presented the report from BDO and informed the Audit Committee that the safeguarding review which was delayed due to Covid-19 had now been completed which concluded the 2019/20 internal audit. The summary table on page 8 of the report outlined the work undertaken for the 2019/20 review and the internal audit opinion, and the following page outlined the progress of the 2020/21 internal audit plan. He explained that the HMO licensing and enforcement audit had been removed from the plan and the audits around climate emergency were to be finalised, and that the licensing audit was ongoing.

In terms of the safeguarding review, the effectiveness was rated limited as training was inadequate for officers with less than 55% completion rates. He explained that the Council were required to produce a section 11 position statement, which showed that actions identified in both the 2017 and 2019/20 surveys were not met and showed as outstanding.

The Chief Finance Officer provided assurance that a comprehensive response would be provided by 8 January from the director. There would also be mandatory safeguarding training for staff and the Council was in the process of changing its e-learning provider. An update would be brought to the next Audit Committee meeting.

Members expressed their concerns regarding the Safeguarding review as the Council has a duty of care, and to ensure that vulnerable individuals are protected. Members asked if the inadequate training had caused an adverse effect on individuals. Gurpreet reiterated that the responsible director would be able to answer those concerns, and that in Northamptonshire the County Council had responsibility for safeguarding. However, effective safeguarding relied on individuals being trained, in order to know what to look out for and assisting the County by raising intelligence through safeguarding protocols.

Gurpreet continued to present the next section of the report, 2021-21 self-isolation grant scheme which was set up to support those who had to self-isolate due to Covid-19. He

explained the scheme started on 28 September 2020 and would run until 31 January 2021, and Councils were to distribute the funds as instructed by government. BDO had been asked to oversee and check the process as to mitigate the risk of fraud or error. Recommendations were put forward from BDO to LGSS which were actioned to improve the portal and overall process. Arrangements are also in place to retest the system and follow up checks will be undertaken on a sample basis. The next section of the report from page 16 showed a sector update, and this concluded the progress report.

The next report, the internal audit follow up of recommendations, summarised the audits undertaken in 2018/19 and the progress of the 2019/20 audits, with a narrative summary on the following pages. The table on page 26 outlined the recommendations with 12 high and 4 medium rated actions. The due dates on some actions have been revised, as covid-19 has impacted progress, or moved to a new West Northants category.

Members discussed the report. BDO will provide a final position statement at the Audit Committee in March along with an update on the safeguarding response. The Chair thanked Gurpreet and his team at BDO for all of their hard work and for the comprehensive reports.

RESOLVED: That the Audit Committee noted the report.

7. INTERNAL AUDIT UPDATE - LGSS

At the Chair's invitation, Jacinta presented the LGSS internal audit update and explained that in terms of the 2019/20 audits, some progress had been made. The agresso audit was currently in the draft stage and assurance was showing as satisfactory. It was hoped that LGSS would be able to finalise the agresso review within the next week. As part of the agresso review, it was found that the infrastructure for agresso was held at the Guildhall, and at the time of the review, there was no evidence that the backups held at Bridge Depot were being regularly tested. It was also found that there was no evidence of patching across the agresso server.

The Chief Finance Officer explained that Northampton Borough Council's IT is outsourced entirely to LGSS, and the servers are physically stored at the Guildhall and Bridge Street Depot, but Northampton County Council holds the responsibility for monitoring these. He assured the Audit Committee he would be taking this up with the Director of IT who was responsible for delivering this service.

Jacinta continued to present her report and explained that in regards to the treasury management and general ledger audits, as a result of the impact of Covid-19, it was agreed that the work would be undertaken during 2020-21 to allow for appropriate coverage of activity, with a revised start date of December 2020. Jacinta explained that it had been decided for the work to be restarted, given the time lapse with covid-19 and the transfer of the finance department from LGSS back to the County Council.

In terms of the 2020/21 audits, the Council tax audit had been completed with an emerging opinion of good assurance and minor impact. The balance sheet reviews for Q1-2 had been completed and Q3 was underway. Jacinta concluded her report and shared that she was confident LGSS would be on track to complete the rest of the audits as planned for 2020/21.

The Chair thanked Jacinta for her report and requested that a report could be brought to the next Audit Committee meeting in March detailing the progress of the audits and a position statement, in line with the move to West Northants Unitary.

Members asked questions surrounding staff handovers and the retention of specialist knowledge in light of the reorganisation of service areas and staff. The Chief Finance Officer assured that in terms of a system handover, the Unitary would be using a new system, ERP

Gold which was being built informed by staff expertise and collaborative working. He explained the controls were currently being developed, and the finance workstream which included the Finance Directors, Section 151 officers and Councillors for West Northants. The Chief Finance Officer summarised that he would be providing a detailed handover for the Section 151 Officer of West Northants, Martin Henry and Steve Clark from EY was on hand to ensure that each of the sovereign councils provided an efficient handover.

RESOLVED: That the Audit Committee noted the progress with delivery of the 2020-21 audit plan.

8. EXTERNAL AUDIT - UPDATE CLOSEDOWN TEAM / EY

At the Chair's invitation, the Corporate Accountant introduced the report and explained that since the publication of the 19/20 draft accounts and the recommencement of the audits at the start of November, the team have been working closely with EY. A large volume of information has been collated and handed over to the external auditors, and the online portal created by EY had been effective in helping the team to raise and manage requests. In total, there has been in excess of 400 requests for information raised by EY during the course of the audit since December 2019, of which approximately 70 have been actively worked on by the Integrated Closedown Team, the Finance Business Partnering Team and other specialist teams within the Council. Requests are being actively worked on and returned to EY for review in a timely manner.

The team was currently working hard to complete the fieldwork, and a draft Statement of Accounts for 2018/19 would be updated to encompass the agreed changes. In addition to this, the 19/20 accounts would be updated to reflect the changes made to the 18/19 accounts. The Corporate Account reiterated the close working relationship with EY, and shared that regular meetings were taking place and she maintained that the team were on track with the Statement of Accounts for approval of the Audit Committee in early 2021.

Following on from the Corporate Accountant's presentation, Steve Clark from EY thanked the Corporate Account and her colleagues for their hard work. He reiterated that the teams were actively working through issues and understood the time pressures with the move to Unitary. He shared that there was a shared plan of action between all those involved with the Statement of Accounts. The Chair thanked Steve Clark for his update and reiterated his thanks for all of those involved for their hard work and efforts.

The Corporate Account continued presenting the report and summarised the progress of the 19/20 accounts, she explained that the period of public inspection of 6 weeks had finished and they had received no contact from members of the public. She explained that they were waiting to conclude the 18/19 accounts, so that the 19/20 accounts could be updated to reflect these changes before the continuation of the audits. Steve Clark added that familiarisation work would not need to be repeated, and they were aware of the timescales with the closedown of the sovereign Council. They believed that they would not achieve this by March, with the demands of setting up the West Northants Unitary Council. Steve Clark explained that the biggest risk was staff moving into new roles and looking to the future, and this would be a challenge in completing the accounts which would migrate to the Unitary Council.

The Chief Finance Officer assured that EY had been in conversation with the Section 151 Officer of the West Northants Unitary and the current Section 151 Officer of Northamptonshire County Council and it was to his knowledge that a team would be ringfenced to work on finalising the accounts, and keep the momentum and consistency going. He assured that it was common practice for Unitary Council's to spend their first year closing down from the previous year after the dissolution of the Council.

Members asked if EY had changed their opinion regarding the completion of audits by 31st March 2021. Steve Clark responded that the volume of queries was too high, and the work was challenging for both sides given the tight timescale, meaning it would be too high risk for them to complete by this date and it would be migrated to West Northants to complete.

Members queried the reason for the high volume of queries and asked if there was evidence of mismanagement or fraud, as well as how the reorganisation would work with external auditors. Steve Clark responded that there was no evidence of mismanagement or fraud and there was currently a process being undertaken to appoint the external auditors. The Chief Finance Officer explained that the volume of queries related to the complexity of the Northampton Borough Council accounts, as they held a number of assets and made various transactions. These queries related to areas such as; the pension fund; legislative changes; the Council's property portfolio; and revenue and benefits.

RESOLVED:

- That the Committee noted the progress made with the audit of the draft Statement of Accounts for 2018-19.
- That the committee noted the current position with the draft Statement of Accounts for 2019-20.

9. GOVERNANCE REPORT & RISK REGISTER

At the Chair's invitation, the Governance and Risk manager presented the report and explained that the report provided an update following on from the previous Audit Committee meeting. She explained the report contained three appendices, the governance report, Q2 20/21 corporate risk register and temporary workers register.

The Governance and Risk manager presented the governance report and explained that under LGSS contract management, LGSS had been disbanded and the Council was being supported to deliver the services through to the move to Unitary. There were three separate risk registers contained in the report: Brexit, Covid-19 and Corporate risk registers which were regularly updated. She explained that emergency planning was on-going due to Covid-19, and Northampton Borough Council worked closely with Northamptonshire County Council and the Local resilience forum in response to the pandemic.

Next, the temporary workers register which showed the number of workers from April to November 2020 had dropped from 21 to 12. The Chief Finance Officer explained that temporary workers were being recruited for specific work in the move to the Unitary, and those who were required for a longer period would be offered a permanent position in the Unitary. Finally, there were tables relating to health and safety statistics for 2019/20 and 2020/21, and then statistics relating to GDPR breaches and explanations for these.

Members discussed the report.

RESOLVED: That the Audit Committee noted the update and agreed that the Governance report continue to be presented quarterly with appendices where relevant.

10. TREASURY MANAGEMENT REPORTS

At the Chair's Invitation, the Corporate Accountant presented the report and explained that the report had been developed in consultation with the Council's external investment manager and treasury adviser, Link Asset Services (LAS) and provided an update for the year ending 31st March 2020. The Corporate Accountant summarised the Outturn report for 2019/20 and explained that it reflected the economic impact of the Covid-19 pandemic. However, despite this the treasury management investments reported a return of 1.28% for

the year which was 0.65% better than the 3 month London Interbank Bid Rate (LIBID) benchmark. It was also noted that Northampton Borough Council's returns were boosted significantly from its investment of £8m into the CCLA Property Fund which achieved a stable return during the year.

In terms of the mid-year update for 2020/21, the update demonstrated the impact of the Covid-19 pandemic to date, with a detailed briefing note at appendix 2 which summarised the following key issues:

- The Bank rates unchanged at 0.10% since March 2020.
- The level of quantitative easing unchanged at £745bn.
- A revision of the forecast falls in GDP in the first half of 2020 from 28% to 23% (subsequently revised to -21.8%).
- A revised down forecast peak in the unemployment rate from 9% in Q2 to 7½% by Q4 2020.
- A forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy).

The Chief Finance Officer added that the Council had a treasury management team, external advisors and a finance business partner team which worked exceptionally hard. The Covid-19 pandemic had severely impacted income stream, yet the Council managed its cash flow. Northampton Borough Council, like other local authorities, had been instructed by the government to distribute business (BEIS) grants to provide economic support as part of the coronavirus pandemic, which meant that large sums of monies were being handled. The Chief Finance Officer concluded that it had been a challenging and difficult year and thanked the teams for their hard work.

The Chair thanked the Corporate Accountant, and everyone involved on behalf of the Audit Committee for their hard work and excellent treasury management.

Members asked if the 2020/21 management strategy and outturn reports would be carried over to the Unitary. The Corporate Accountant confirmed that to her knowledge this would be the case.

Members also asked for the return on the Council's CCLA investments and if the Council was considering loan restructuring. The Chief Finance Officer responded the return was at 4.5% and that the Council was actively looking at rates, particularly those relating to HRA.

Members noted the third party loans detailed in table 3 of the report and questioned if these loan repayments had been affected by the Covid-19 pandemic. The Chief Finance Officer explained that the Council was understanding and offered support to the University of Northampton and the Northampton Town Rugby Football Club. The Council had deferred the capital payments to support the Northampton Town Rugby Football Club, so currently only the interest payments were being paid and a report would be brought to the next Cabinet meeting detailing a loan extension of £8.8m.

RESOLVED: That the Audit Committee reviewed and noted the attached Treasury Management Performance Reports.

11. CHIEF FINANCE OFFICER REPORT

At the Chair's invitation, the Chief Finance Officer introduced the report and thanked the Governance and Risk Manager and the Corporate Accountant for their hard work, as well as all the finance teams involved with producing the reports. He explained that most of the updates contained in his report had already been discussed in the meeting. The Chief Finance Officer confirmed that there had been no accounting policy changes and asked the Audit Committee to note section 3.8. of his report which stated that KPMG had asked it be reported that the latest bill approved for 1 April 2020 to 30 October 2020 was £17.5K, which brought the total cost of processing the objection to the 2015-16 accounts to £160K (KPMG costs and associated disbursements), with further costs anticipated until its completion/outcome. These costs and the objection related to the Sixfields Loan and ongoing review by KPMG.

RESOLVED: That the Audit Committee noted:

- That there have been no changes to Accounting Policies.
- That there have been no reportable incidents in respect of Treasury Management, or requirements to change Treasury Management Policies.
- The costs as reported in respect of KPMG as per section 3.8.

The meeting concluded at 7:45 pm