

BOROUGH OF KETTERING

Committee	MONITORING AND AUDIT	Item A2	Page 1 of 3
Report Originator	Ernst & Young LLP (EY)	Forward Plan Ref: N/A	
Wards Affected	All	25 th July 2019	
Title	EXTERNAL AUDIT VALUE FOR MONEY UPDATE		

1. PURPOSE OF REPORT

To provide an update on the 2018/19 value for money work undertaken by EY.

2. INFORMATION

2.1 Members may recall, at the Monitoring and Audit Committee held on the 21st May 2019 that the Council's external auditors, EY were experiencing staff turnover and challenges in recruiting new staff, which has changed the audit timetable for the 2018/19 audit.

2.2 EY advised that they would be in a position to provide an update of their work responding to the significant audit risk reviewing the Council's arrangements for making commercial decisions. EY advised they would report their work to date, findings and conclusions to the July meeting of this Committee with the formal VFM opinion and approval of the accounts being issued at the meeting on the 26th September 2019.

2.3 The VFM audit of the Council's arrangements for making commercial decisions has a number of key objectives:

- Review the Strategic Consistency
- Review the Governance Arrangements and due diligence for Commercial Acquisitions
- Evaluate the Assumptions for the Delivery of Future Savings

The Key areas of focus is around the Council's Commercial activity and decisions including the Property Investment Strategy.

2.4 Following a review of Key documents provided by the Council EY are able to provide an update on the Key Objectives, these are summarised at 2.5 – 2.11.

Review the Strategic Consistency

2.5 The Council's key strategic documents are well aligned. The overall aims of the Council are consistent, creating a balanced depiction of the Council's strategic goals and plans to achieve them.

BOROUGH OF KETTERING

Committee	MONITORING & AUDIT	Item A2	Page 2 of 3
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Review the Governance Arrangements and due diligence for Commercial Acquisitions

- 2.6 An Asset Management Board ('AMB') was established in April 2017. This enables the Council to move quickly when identifying and assessing Investment opportunities. The AMB provides the governance structure in which the Council operates.
- 2.7 The AMB Board receives regular updates, each potential investment opportunity is presented using the Council's Property Investment Strategy and Matrix which provides a clear and transparent decision making tool.
- 2.8 As part of the due diligence process the Council will where necessary use a range of legal, valuation and technical expertise and advice, this provides robust information which enables the Council to make informed decisions in relation to commercial investments.
- 2.9 The Council has a proactive approach to risk management and has a risk policy outlining its strategy and approach to risk management including specific risks and mitigating factors associated with Commercial Investments.

Evaluate the Assumptions for the Delivery of Future Savings

- 2.10 The assumptions in the Council's Medium Term Financial Strategy ('MTFS') appear to be reasonable and are consistent with the Changes in the Council's property portfolio over the past year.
- 2.11 The Council needs to identify £5.024m of efficiencies between 2020/21 and 2023/24. The Council has a strong track record of delivering efficiencies over recent years with £12.8m delivered between 2010/11 and 2018/19.
- 2.12 EY have undertaken a number of sensitivity tests on the Council's financial resilience and this has shown that the Council has good arrangements in place to meet its budget, medium term financial targets and has sufficient headroom to address any financial shocks.
- 2.13 Further details can be found in the Executive Summary from EY attached at **Appendix A**. Neil Harris – Associate Partner at EY will be attending the meeting.

BOROUGH OF KETTERING

Committee	MONITORING & AUDIT	Item A2	Page 3 of 3
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3. RECOMMENDATION

That the Monitoring & Audit Committee notes

- 3.1 The draft findings on EYs response to the significant audit risk to the 2018/19 Value for Money Conclusion.
- 3.2 The 2018/19 final findings, conclusions and Value for Money Opinion be issued at the Monitoring and Audit meeting on the 26th September 2019.