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**North
Northamptonshire
Council**

Meeting: Audit and Governance Committee
Date: Monday 5th September, 2022
Time: 2.00 pm
Venue: Council Chamber, Swanspool House, Doddington Road,
Wellingborough, Northants, NN8 1BP

To:

Members of the Audit and Governance Committee

Councillors Andrew Weatherill (Chair), Kirk Harrison (Vice-Chair), Jean Addison, Ian Jelley, Anne Lee, Richard Levell, Paul Marks, Mark Pengelly and Russell Roberts

Substitutes:

Councillors Valerie Anslow, John Currall, Bert Jackson, Peter McEwan, John McGhee and Lee Wilkes

A G E N D A SUPPLEMENT

The following additional report and appendices have now been published which was not available at the time the agenda was published.

This supplementary agenda has been published by Democratic Services.
Contact: democraticservices@northnorthants.gov.uk

Item	Subject	Page no.
06.	Report of Children's Services (including Northamptonshire Children's Trust)	5 - 52

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Audit and Governance Committee 5th September 2022

Report Title	Children's Services and the arrangements with Northamptonshire Children's Trust	
Report Author	AnnMarie Dodds, Executive Director of Children's Services	
Contributors/Checkers/Approvers		
North MO		
North S151		
Other Director/SME		

List of Appendices

Appendix 1: Letter to DCS

Appendix 2: Arrangements with Northamptonshire Children's Trust

1. Purpose of Report

- 1.1 To provide the Committee with an overview of the work of Children's Services in relation to the arrangements with Northamptonshire Children's Trust.

2. Executive Summary

- 2.1 Northamptonshire Children's Trust delivers statutory social care services on behalf of North and West Northamptonshire Councils. The relationship between the Councils and Northamptonshire Children's Trust is governed by a set of contractual agreements.
- 2.2 The Audit and Governance Committee discussed the issues arising from this arrangement at the June meeting of the Committee. Following this, the Chair of the Committee wrote to the Director of Children's Services requesting they attend the September meeting and provide a response to the queries contained in the letter. This report provides a response to this letter and the issues raised within.

3. Recommendations

- 3.1 It is recommended that the Committee:
- a) Note the contents of the report.
- 3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities and to respond to the request for further information agreed by the Committee on 20th June 2022.

4. Report Background

- 4.1 Following a statutory direction from the Secretary of State for Education, Northamptonshire County Council established an operationally independent but wholly council-owned company to deliver children's social care services. Northamptonshire Children's Trust (NCT) was established on 1st November 2020 and was a company limited by guarantee that was initially wholly owned by Northamptonshire County Council.
- 4.2 As part of this arrangement, statutory responsibility for children's services remains with the Council's Director of Children's Services. NCT is operationally independent, and a set of contractual agreements exist between NCT and the Council with the aim of ensuring NCT develops and provides high quality social care services to children and young people in Northamptonshire within the financial resources made available to it.
- 4.3 On 1st April 2021, ownership of NCT transferred to North and West Northamptonshire Councils as part of the transition to unitary Councils. North Northamptonshire Council acts as the 'Host Council' for managing the relationship with NCT including contract management arrangements. North Northamptonshire Council employs a team called the 'Intelligent Client Function' which manages the relationship with NCT.
- 4.4 At the meeting of the Audit and Governance Committee in June 2022, it was agreed that the Chair of the Committee would write to Director of Children's Services and a representative from the Children's Trust requesting that they address the Audit and Governance Committee to explain how assurance is obtained and evaluated over the activities of the Trust. This letter was sent to the Director of Children's Services on 23rd August and this report and Appendix 2 is a response to this letter.

5. Issues and Choices

- 5.1 The report provides a summary of the arrangements between North Northamptonshire Council and Northamptonshire Children's Trust in so far as they relate to the information requested by the Chair of the Committee.
- 5.2 There are no alternative recommendations arising from this report, but the Committee may wish to raise queries or request further clarifications, as appropriate.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 None specific to this report.

6.2 **Legal**

6.2.1 None specific to this report.

6.3 **Risk**

6.3.1 None specific to this report.

6.4 **Consultation**

6.4.1 None specific to this report.

6.5 **Consideration by Scrutiny**

6.5.1 Not required on this occasion.

6.6 **Climate Impact**

6.6.1 None specific to this report.

6.7 **Community Impact**

6.7.1 None specific to this report.

7. Background Papers

7.1 None.

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Councillor Andrew Weatherill
Contact email: Andrew.Weatherill@northnorthants.gov.uk

23rd August 2022

AnnMarie Dodds
Director of Children's Services
North Northamptonshire Council

Dear AnnMarie,

North Northamptonshire Council Audit and Governance Committee – 5th September 2022

Thank you for accepting the invite to attend North Northamptonshire Council's Audit and Governance Committee meeting on 5th September. We very much look forward to receiving your report regarding the work of Children's Services and the arrangements with Northamptonshire Children's Trust.

As you will be aware, the Committee has a far-reaching remit to ensure there is independent assurance of the adequacy of the risk management framework and the associated control environment and this extends to all aspects of the Council's responsibilities. This covers both financial and non-financial arrangements and performance, to the extent it impacts on the Authority's exposure to risk and weakens controls.

The Committee will wish to consider the work of Children's Services including those services provided by the Children's Trust. Whilst the Committee accepts that the Trust delivers services to the Council under contract, there is a close and dependent relationship between the two organisations, and assurance around the work of the Trust is essential when considering the Council's statutory responsibilities and the requirements for this Committee to obtain the necessary assurance on governance, controls and management of risk. With this in mind the Committee would like to receive a report which considers:

- Key risks (financial and non-financial) and how these are managed within Children's Services – how do you derive assurance on the performance and controls in place for the Service including the arrangements for risk management, particularly with the Children's Trust which has an "arm's length" arrangement under contract. What assurance process are in place, both internal and external, including governance arrangements.
- How do you obtain assurance from the work of audit and, in particular, the audit arrangements for the Trust. For instance, are you able to feed into (or are you informed of) the formulation of audit plans and assessment of risk as part of your statutory role? Do you have access to the outcome of audit reports?
- Any other information that you feel relevant to provide the Committee with the assurance it seeks in respect of the adequacy of the performance and control environment for Children's Services.

If you need any further information regarding the meeting, then please contact Fiona.hubbard@northnorthants.gov.uk, Senior Democratic Services Officer for the Committee.

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I hope this note is helpful and I look forward to seeing you on 5th September.

Regards

A handwritten signature in black ink, appearing to read 'A Weatherill', is centered on a light gray rectangular background.

Councillor Andrew Weatherill

Chair, Audit and Governance Committee
North Northamptonshire Council.



**North
Northamptonshire
Council**

Arrangements with Northamptonshire Children's Trust

Report for Audit and Governance Committee
August 2022

1. Introduction

This report has been produced for North Northamptonshire Council's Audit and Governance Committee following a request from this committee for the Director of Children's Services to appraise the Committee of the work of Children's Services and the arrangements with Northamptonshire Children's Trust. The Director of Children's Services received a letter from the Chair of the Audit Committee setting out the Committee's requests and this report sets out a response to these requests.

2. Background to Northamptonshire Children's Trust

Following a statutory direction from the Secretary of State for Education, Northamptonshire County Council established an operationally independent but wholly council-owned company to deliver children's social care services. Northamptonshire Children's Trust (NCT) was established on 1st November 2020 and was a company limited by guarantee that was initially wholly owned by Northamptonshire County Council.

As part of this arrangement, statutory responsibility for children's services remains with the Council's Director of Children's Services. NCT is operationally independent, and a set of contractual agreements exist between NCT and the Council with the aim of ensuring NCT develops and provides high quality social care services to children and young people in Northamptonshire. Funding is subject to an annual contract negotiation and consideration of in-year demand pressures detailed in section 3.

On 1st April 2021, ownership of NCT transferred to North and West Northamptonshire Councils as part of the transition to unitary Councils. North Northamptonshire Council acts as the 'Host Council' for managing the relationship with NCT including contract management arrangements. North Northamptonshire Council employs a team called the 'Intelligent Client Function' which manages the relationship with NCT.

For the financial year 2021/22, the contract value was £137.15 million and for the 2022/23 financial year is £137.45 million.

3. Key risks and how these are managed by Children's Services

3.1. Key risks

North Northamptonshire Council has identified a risk around NCT in the corporate risk register. The register details the risk that "Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF)." The risk register summarises some of the key controls and mitigations that are expanded upon in sections 3.2 and 3.3 below.

Children's Services also has a directorate risk register that includes risks relating to Northamptonshire Children's Trust.

Additionally, Northamptonshire Children's Trust maintains its own risk register. This is shared with the Intelligent Client Function on a quarterly basis as per Clause 16 of the Core Terms of the Service Delivery Contract. This is discussed in summary form at the monthly Operational Group and Quarterly Strategic Group meetings (more information on governance at section 3.2.1 below).

3.2. Internal assurances

The Council derive internal assurance on the performance and controls in place for the Services delivered by NCT in variety of ways. This is largely driven by the arrangements sets out in the Service Delivery Contract (SDC) between NCT and the Councils, but additional arrangements have also been put in place where additional risk has been identified. These arrangements are summarised in the sections below.

3.2.1. Governance arrangements

The contractual governance arrangements are set out in Schedule 18 (Governance Arrangements) of the Service Delivery Contract. The key governance arrangements are:

- The Operational Group
- The Strategic Group
- NCT's attendance at Council Democratic Meetings, Statutory Boards and/or Partnership Meetings.

Operational Group

The Operational Group meets monthly and is attended by the NNC Director of Children's Services (who chairs the meeting), the NNC Assistant Director of Children's Services and the NNC Assistant Director of Finance and Strategy as well as NCT's senior management team and officers from West Northamptonshire Council.

The purpose of the Operational Group is to provide oversight of the contract management and monitoring arrangements including contractual requirements and the performance of NCT and the Council's performance of its obligations in the contract. The meeting provides an operational forum for Parties to discuss their respective performance and all associated issues holding each other accordingly to account in respect of such performance.

The meeting reviews NCT's monthly performance and finance report (see sections 3.2.2. and 3.2.3. below) and any other issues relevant to the services delivered by NCT.

Strategic Group

The Strategic Group meets quarterly and is attended by the NNC Executive Member for Children, Families, Education & Skills as well as the Chief Executive, Executive Director of Finance and Executive Director of Children's Services. It is also attended by the equivalent officers from West Northamptonshire Council and NCT's Senior

Management Team and the Chair of their Board. It is chaired by the Executive Members for Children's Services on a rotating basis.

The purpose of the Strategic Group is to provide strategic, political and executive oversight and scrutiny of NCT's delivery of the Council's statutory functions, through periodic monitoring of performance (including financial), contractual changes and Annual Review. The Strategic Group is also a point of escalation for issues arising from the Operational Group.

NCT's attendance at Council Democratic Meetings, Statutory Boards and/or Partnership Meetings

NCT is required to attend these meetings at the request of the Council through the Chief Executive or another member of the NCT's senior leadership team where more appropriate. However, NCT shall not be required to attend more than three Democratic Meetings for each Council in any Contract Year. If NCT is required to attend any additional Democratic Meetings of the Council in any Contract Year, then such attendance shall be at the NCT's absolute discretion.

3.2.2. Performance mechanism

The performance mechanism is set out in Schedule 6 of the Service Delivery Contract. NCT's obligations include the following:

- produce a Business Plan
- ensure the KPIs are at least maintained within the agreed Tolerances
- achieve the Ofsted rating "Requires Improvement" within three years of the Councils' Vesting Day
- seek to achieve a "Good" Ofsted rating within five years of the Councils' Vesting Day
- provide a Monthly Report, Quarterly Report and the Management Information

There are currently 21 Key Performance Indicators that were agreed when NCT was created, for each indicator there is an agreed target and tolerance level below (or above) which NCT should not fall. NCT must produce a monthly report that sets out the actual performance achieved for each KPI and explanations of performance outside the tolerance. The report should also contain reporting of financial information including any variations from budget. As discussed in section 3.2.1 above, this is discussed at the Operational Group and quarterly report is discussed at Strategic Group.

There is an agreed performance rectification process that must be followed should NCT persistently fail to deliver performance within the agreed tolerances. This involves the production of an action plan that must be discussed and reviewed at the Operational Group, if it is not resolved then this should escalate to the Strategic Group.

In addition to the Key Performance Indicators, NCT must share Management Information with the Councils. This management information provides wider context to NCT's performance and the delivery of children's social care services. NCT also

share a quality assurance report on a monthly basis that highlights NCT's progress against its improvement plan.

3.2.3. Finance mechanism

The finance mechanism is schedule 5 of the Service Delivery Contract. It governs a wide range of issues related to the financial arrangements between NCT and the Councils. In relation to assurance for the Councils it sets out managing a deficit in NCT's budget, how any failure by NCT to manage its own budget will be managed and open book accounting arrangements.

NCT is obliged to inform the council as soon as reasonably practical if it identifies a deficit. The Trust is also obliged to take action to contain the deficit, use any applicable reserves and demonstrate whether it can cover the deficit from other resources. Failure to manage the budget in accordance with accounting principles and NCT's approved business plan will lead to concerns raised at Strategic Group with actions to remedy the position, issuing a Rectification Process and the Councils exercising their step-in rights.

Each party is subject to open book accounting for the purposes of planning and monitoring spend.

3.2.4. Annual Review

An Annual Review of NCT's performance is required as per Schedule 3 of the Service Delivery Contract. The Annual Review exists to:

- Review the quality of the services delivered
- Facilitate the Councils' quality assurance of NCT
- Enable the Council to review the discharge of its statutory functions
- Consider whether changes to the contractual agreements are required

As part of the Annual Review, NCT must produce an Annual Report that includes items such as:

- the Trust's performance of the Services against the KPIs in the preceding Contract Year
- a summary of the Councils' performance of their obligations
- the cost of performing the Services
- a summary of any changes
- the demand for Services
- the outcome of any Ofsted monitoring visits and/or Ofsted inspections, Action Plans and/or Rectification processes

The Annual Report is then considered by the Operational and Strategic Groups.

3.2.5. Assurance meetings

Outside of the contractual arrangements summarised in sections 3.2.1-3.2.4 above, the Councils and NCT have set up monthly assurance meetings. The purpose of

these meetings is to give the lead member and DCS from both councils a ‘window on practice’ through a discussion about risks, quality assurance activity and case file audits.

The meeting is attended by the Directors of Children’s Services and relevant Executive Members for both Councils as well as members of NCT’s senior management team.

3.2.6. Internal audit of Northamptonshire Children’s Trust Contract Management

The Intelligent Client Function was recently subject to an internal audit. The objective of this review is to provide assurance that:

- An appropriately resourced and effective client function is in place to support contract management responsibilities
- Arrangements are underpinned by clearly defined contracts agreed by all parties
- A performance management framework has been agreed and is operating effectively
- An effective governance framework is in place to oversee this contract

The overall opinion is summarised in the table below:

Control Environment	Satisfactory
Compliance	Satisfactory
Organisational Impact	Moderate

3.3. External assurances

In addition to the internal assurances described above, there are a number of sources of external assurance related to services delivered by NCT.

3.3.1. Regulatory inspections

NCT, in common with children’s services across the country, is subject to several regulatory inspections that provide external assurance to the Council about the delivery of services by NCT. These inspections are summarised in the table below.

Type of inspection	Summary
Ofsted Inspection of Local Authority Children’s Services (ILACS)	<p>These inspections focus on the effectiveness of local authority services and arrangements:</p> <ul style="list-style-type: none"> • to help and protect children • the experiences and progress of children in care wherever they live, including those children who return home • the arrangements for permanence for children who are looked after, including adoption

	<ul style="list-style-type: none"> the experiences and progress of care leavers <p>When a local authority delivers services through a third-party organisation, for example a trust, the inspection is still an inspection of the local authority. This means North and West Northamptonshire Councils will receive separate inspection reports, however the next full inspection will be based on countywide data and outcomes.</p> <p>Local authorities receive one of 4 grades – inadequate, requires improvement, good, outstanding.</p> <p>Northamptonshire has yet to have an graded Ofsted rating since NCT was created, the previous grade was inadequate received in June 2019. The next inspection is expected imminently in Autumn 2022.</p>
Ofsted monitoring visits	<p>If local authority children’s services are judged inadequate, Ofsted carries out monitoring visits. Monitoring visits are not graded but focus on specific areas where improvement is needed the most. Inspectors will monitor and report on the local authority’s progress since the inspection.</p> <p>Since the Ofsted ILACS, there have been 4 monitoring visits, 2 under Northamptonshire and 2 under North Northamptonshire.</p>
Ofsted inspection of Adoption Agency	<p>As NCT’s adoption service is not delivered directly by the local authority, they are required to register as a voluntary adoption agency. This means they are subject to an Ofsted inspection under the Social care common inspection framework.</p> <p>The grading framework is the same as for an ILACS.</p> <p>NCT receive their first inspection in January 2022 and received an overall grade of good.</p>
Ofsted inspection of Fostering Agency	<p>As with the adoption agency, because NCT’s fostering service is not delivered directly by the local authority they are required to register as an independent fostering agency. This means they are subject to an Ofsted inspection under the Social care common inspection framework.</p> <p>The grading framework is the same as for an ILACS. NCT receive their first inspection in January 2022 and received an overall grade of requires improvement to be good.</p>
Ofsted Inspections of Children’s Homes	<p>NCT also directly runs 5 children’s homes. These are subject to separate inspections under the Social care common inspection framework.</p>

	The grading framework is the same as for an ILACS. Of these homes, 4 are currently rated as good and 1 is rated as requires improvement to be good.
HMIP Inspection of Youth Justice Services	Her Majesty's Inspectorate of Probation is the independent inspector of youth offending and probation services in England and Wales. They report on the effectiveness of probation and youth offending service work with adults and children. Youth offending services in Northamptonshire are delivered by NCT. There are 4 available ratings – outstanding, good, requires improvement, inadequate. Northamptonshire has not been subject to inspection under the latest framework but an inspection is due.

3.3.2. Social Care Improvement Board

Following the Ofsted ILACS in 2019, the Department for Education (DfE) put in place a Social Care Improvement Board to oversee the improvement of social care services in Northamptonshire. At the time, this was chaired by the DfE Commissioner. This DfE-sponsored board has continued following local government reorganisation and is now led by an independent chair who is an experienced former Director of Children's Services.

3.3.3. Northamptonshire Safeguarding Children Partnership

Northamptonshire Safeguarding Children Board ceased to exist on 30th June 2019 and has been replaced by Northamptonshire Safeguarding Children Partnership (NSCP) in accordance with Working Together to Safeguard Children 2018.

The Strategic Partnership consists of senior representatives from the four strategic leads of North Northamptonshire Council, West Northamptonshire Council, Northamptonshire Police and Nene & Corby Clinical Commissioning Group.

The purpose of the partnership is to safeguard and promote the welfare of children in Northamptonshire. This is done by coordinating the work of those people and all organisations working in the county ensuring that what they do is effective.

The Partnership will have an independent chair from September 2022 who will also be the chair of the Social Care Improvement Board.

NSCP oversee Child Safeguarding Practice Review (previously serious case reviews) in line with the requirements of the national panel.

4. Assurance from audit

Northamptonshire Children's Trust purchases both internal audit services. Internal audit is purchased from West Northamptonshire Council who commission the activity from BDO UK. External audit is provided by Crowe LLP.

4.1. Formulation of NCT audit plans

As NCT are an independent company, they formulate their own audit plans independently of the Councils. Northamptonshire Children's Trust has an Audit Committee made up of members of their Board that would formulate their audit plan. This Audit Committee is responsible for reviewing and monitoring:

- the integrity of the financial and narrative statements and other financial information provided to the Councils as owners
- the Company's system of internal controls and risk management
- the internal and external audit process and auditors
- the processes for compliance with laws, regulations and ethical codes of practice

It also makes recommendations to the Board in relation to the discharge of governance responsibilities in respect of audit, risk and internal control of the Company.

4.2. Access to audit reports

The Councils have no automatic rights to audit reports, or the outcomes of audit reports produced for NCT. However, as part of the Annual Report (see section 3.2.4 above) NCT should include the results of any audits carried out during the previous contract year.

However, there are some general access rights that may apply to audit reports produced for NCT. For instance, the Articles of Association allows the Councils as owners of NCT as the Company the right to inspect the books and records of the Company to keep them properly informed about the Business and affairs of the Company. Any information or data obtained or received by the Councils shall be subject to a duty or obligation of confidentiality or confidence unless disclosing such information or data is required by law.

Additionally, according to section 13 of the Core Terms of the Service Delivery Contract, NCT shall at reasonable times and within normal business hours make the relevant 'Records' available for inspection by the Director of Children's Services (or a nominee) to enable the discharge of the Council's statutory obligations. The 'Records' are defined as:

- Invoices prepared by the Trust and submitted to the Council
- All children's social care records, files and documents
- Records required to be retained by the Trust by Law
- Personnel records of the Trust Personnel
- All documents relating to the insurances the Trust

4.3. *Audit rights*

The Councils' audit rights are set out in section 35 of the Core Terms of the Service Delivery Contract. NCT shall provide the Council's statutory and regulatory auditors access to and permission to copy and remove any copies of any books, records, information and data in the possession or control of NCT which relate to the services delivered by NCT on behalf of the Councils.

5. Other relevant information

No further information is relevant at this time.

Audit and Governance Committee 5th September 2022

Report Title	Northamptonshire Children's Trust	
Report Author	Colin Foster, Chief Executive, Northamptonshire Children's Trust Andrew Tagg, Director of Finance, Northamptonshire Children's Trust Cornelia Andrecut, Director of Children's Social Care	
Contributors/Checkers/Approvers		
North MO		
North S151		
Other Director/SME		

List of Appendices

Appendix 1: Letter to Chief Executive of Northamptonshire Children's Trust

Appendix 2: Northamptonshire Children's Trust key risks and audit arrangements

1. Purpose of Report

- 1.1 To provide the Committee with an overview of the key risks and audit arrangements of Northamptonshire Children's Trust.

2. Executive Summary

- 2.1 Northamptonshire Children's Trust delivers statutory social care services on behalf of North and West Northamptonshire Councils. The relationship between the Councils and Northamptonshire Children's Trust is governed by a set of contractual agreements.
- 2.2 The Audit and Governance Committee discussed the issues arising from this arrangement at the June meeting of the Committee. Following this, the Chair of the Committee wrote to the Chief Executive of Northamptonshire Children's Trust requesting they attend the September meeting and provide a response to the queries contained in the letter. This report provides a response to this letter and the issues raised within.

3. Recommendations

3.1 It is recommended that the Committee:

- a) Note the contents of the report.

3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities and to respond to the request for further information agreed by the Committee on 20th June 2022.

4. Report Background

4.1 Following a statutory direction from the Secretary of State for Education, Northamptonshire County Council established an operationally independent but wholly council-owned company to deliver children's social care services. Northamptonshire Children's Trust (NCT) was established on 1st November 2020 and was a company limited by guarantee that was initially wholly owned by Northamptonshire County Council.

4.2 As part of this arrangement, statutory responsibility for children's services remains with the Council's Director of Children's Services. NCT is operationally independent, and a set of contractual agreements exist between NCT and the Council with the aim of ensuring NCT develops and provides high quality social care services to children and young people in Northamptonshire within the financial resources made available to it.

4.3 On 1st April 2021, ownership of NCT transferred to North and West Northamptonshire Councils as part of the transition to unitary Councils. North Northamptonshire Council acts as the 'Host Council' for managing the relationship with NCT including contract management arrangements. North Northamptonshire Council employs a team called the 'Intelligent Client Function' which manages the relationship with NCT.

4.4 At the meeting of the Audit and Governance Committee in June 2022, it was agreed that the Chair of the Committee would write to Director of Children's Services and a representative from the Children's Trust requesting that they address the Audit and Governance Committee to explain how assurance is obtained and evaluated over the activities of the Trust. This letter was sent to the Director of Children's Services on 23rd August and this report and Appendix 2 is a response to this letter.

5. Issues and Choices

5.1 The report in Appendix 2 provides a summary of the key risks and audit arrangements between North Northamptonshire Council and Northamptonshire Children's Trust in so far as they relate to the information requested by the Chair of the Committee. Appendix 3, which is referenced in Appendix 2, provides the Internal Annual Audit report and Audit Opinion.

5.2 There are no alternative recommendations arising from this report, but the Committee may wish to raise queries or request further clarifications, as appropriate.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 None specific to this report.

6.2 Legal

6.2.1 None specific to this report.

6.3 Risk

6.3.1 None specific to this report.

6.4 Consultation

6.4.1 None specific to this report.

6.5 Consideration by Scrutiny

6.5.1 Not required on this occasion.

6.6 Climate Impact

6.6.1 None specific to this report.

6.7 Community Impact

6.7.1 None specific to this report.

7. Background Papers

7.1 None.

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Councillor Andrew Weatherill
Contact email: Andrew.Weatherill@northnorthants.gov.uk

23rd August 2022

Colin Foster
Chief Executive,
Northamptonshire Children's Trust

CC: Susan Tanner
Assistant Director Commissioning & Partnerships (Interim)
Children's Services
North Northamptonshire Council

Dear Colin,

North Northamptonshire Council Audit and Governance Committee – 5th September 2022

Thank you for accepting the invite to attend North Northamptonshire Council's Audit and Governance Committee meeting on 5th September. We very much look forward to speaking with you about the operations of the Trust.

As you will be aware, the Committee has a far-reaching remit to ensure there is independent assurance of the adequacy of the risk management framework and the associated control environment and this extends to all aspects of the Council's responsibilities. This covers both financial and non-financial arrangements and performance, to the extent it impacts on the Authority's exposure to risk and weakens controls.

Whilst the Committee accepts that the Trust delivers services to the Council under contract, there is a close and dependent relationship between the two organisations, and assurance around the work of the Trust is essential when considering the statutory responsibilities of the Council and the requirements for this Committee. With this in mind the Committee would like to consider:

- Key risks (financial and non-financial) and how these are managed – what assurance process are in place, both internal and external, around performance and control and the governance processes that surround these.
- The role of the Trust's internal audit function and how this can provide assurance – the Committee would welcome an update on outcome of audit reports and future audit plans. It would also like to understand where the outcomes of the audits are reported and shared more widely, and how does this feed through to the Council(s) to provide the necessary assurance of the adequacy of the control environment.

The Committee would also like the Trust to allow access to its audit reports for consideration by this Committee and/or the Council's Chief Internal Auditor for review. This will support the assurance sought by the Committee in fulfilling its role.

If you need any further information regarding the meeting, then please contact Fiona.hubbard@northnorthants.gov.uk, Senior Democratic Services Officer for the Committee.

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I hope this note is helpful and I look forward to seeing you on 5th September.

Regards

A handwritten signature in black ink, appearing to read 'A Weatherill', enclosed within a light grey rectangular border.

Councillor Andrew Weatherill

Chair, Audit and Governance Committee
North Northamptonshire Council.



In partnership with

**North
Northamptonshire
Council**

Northamptonshire Children's Trust Key Risks and Audit Arrangements

Report for Audit and Governance Committee

5 September 2022

1. Introduction

This report has been produced for North Northamptonshire Council's Audit and Governance Committee following a request from this committee for the Chief Executive and senior leadership team to appraise the Committee of key risks and audit arrangements for Northamptonshire Children's Trust. The Chief Executive of Northamptonshire Children's Trust received a letter from the Chair of the Audit Committee setting out the Committee's requests and this report sets out a response to these requests.

2. Background to Northamptonshire Children's Trust

Following a statutory direction from the Secretary of State for Education, Northamptonshire County Council established an operationally independent but wholly council-owned company to deliver children's social care services. Northamptonshire Children's Trust (NCT) was established on 1st November 2020 and was a company limited by guarantee that was initially wholly owned by Northamptonshire County Council.

As part of this arrangement, statutory responsibility for children's services remains with the Council's Director of Children's Services. NCT is operationally independent, and a set of contractual agreements exist between NCT and the Council with the aim of ensuring NCT develops and provides high quality social care services to children and young people in Northamptonshire. Funding is subject to an annual contract negotiation and consideration of in-year demand pressures detailed in section 3 of the NNC report.

On 1st April 2021, ownership of NCT transferred to North and West Northamptonshire Councils as part of the transition to unitary Councils. North Northamptonshire Council acts as the 'Host Council' for managing the relationship with NCT including contract management arrangements. North Northamptonshire Council employs a team called the 'Intelligent Client Function' which manages the relationship with NCT.

For the financial year 2021/22, the contract value was £137.15 million and for the 2022/23 financial year is £137.45 million.

3. NCT Risk register

3.1. Overview

The NCT corporate risk register is monitored by the Finance, Resources and Audit (FRA) Committee of NCT who report to the NCT Board. The NCT risk register is shared with the Intelligent Client Function (ICF) on a quarterly basis as per Clause 16 of the Core Terms of the Service Delivery Contract. This is discussed in summary form at the monthly Operational Group and Quarterly Strategic Group meetings.

3.2. Risk monitoring

The NNC report elsewhere on this agenda details the contractual monitoring through the ICF. In addition to these arrangements the NCT FRA meets monthly and risk management is a standing agenda item. Concerning issues and good practice are reported to the NCT Board.

3.3. Key risks and mitigation

The key risks can be broken down into three areas:

- Corporate Risks
- Social Care Risks
- Financial Risks

The risks are monitored and managed through the following groups (arrangements for each are included in the NNC report elsewhere on this agenda);

- NCT Board
- NCT Finance, Resources and Audit Committee
- Operational Group (led by NNC/WNC)
- Strategic Group (led by NNC/WNC)
- Support Services Board (led by NNC/WNC)
- Social Care Improvement Board (Chaired by Department for Education)
- Lead member / DCS monthly assurance meeting (for Social Care risks)
- NNC/WNC Scrutiny committees

3.3.1 Corporate Risks

The corporate risks relate to the long-term sustainability of the services provided. The key risks are:

- a) the effectiveness of partnership support from NNC, WNC, Police, Health and other partners.
- b) the effective delivery of services by NCT.
- c) the quality of services delivered by the councils in the Service Delivery Contract.

3.3.2 Social Care Risks

The social care risks relate to the quality of practice in services delivered by NCT. The key risks are:

- a) An emergency situation that is not managed well such as death or injury to a child or young person under the responsibility of the Trust, through inappropriate care or attention.
- b) Lack of improvement in services since the Ofsted 'inadequate' judgement of 2019.
- c) Ongoing impact of COVID-19
- d) Case complexity
- e) Increase of children in care and providing placements that meet need
- f) Increase in referrals / cases open to NCT and impact on workforce

- g) Oversight of unregulated placements
- h) Permanent workforce

3.3.2 Financial Risks

The financial risks relate to the finance and governance arrangements for NCT. The key risks are:

- a) Budget management and potential budget cuts
- b) Increase in volume and the complexity of care required and increase in numbers of children in need of support adding to budget pressures.
- c) Increasing cost of commissioned services and placements as a result of uncontrollable external factors (i.e. Increased national insurance; changes in regulation; impact of Brexit and Covid on ability of providers to secure suitable workforce, failure of external placement market to meet needs, transport costs)
- d) Savings delivery
- e) Information governance issues such as data breach, cyber-attack, access to data
- f) Agency costs / staff turnover
- g) Supplier resilience in with increasing costs
- h) IT System support and replacement
- i) Unitary arrangements
- j) Supporting families – payment by results

4. Assurance from audit

Northamptonshire Children's Trust purchases both internal audit services. Internal audit is purchased from West Northamptonshire Council who commission the activity from BDO UK. External audit is provided by Crowe LLP.

The internal audit annual report and annual statement of assurance from BDO UK is in Appendix 3, this gives an overview of audit activity including outcomes and level of assurance as requested by the committee.

Audit activity is routinely reported to:

- NCT Board
- NCT Finance, Resources and Audit Committee
- Operational Group (led by NNC/WNC)
- Strategic Group (led by NNC/WNC) – by exception

5. Other relevant information

No further information is relevant at this time.

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Northamptonshire Children's Trust

2021/22

IDEAS | PEOPLE | TRUST



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SUMMARY OF 2021/22 WORK

Internal Audit 2021/22

This report details the work undertaken by internal audit for Northamptonshire Children's Trust (NCT or 'the Trust') and provides an overview of the effectiveness of the controls in place for the full year. Internal Audit has been provided to NCT via a co-sourced engagement between the Internal Audit Shared Service and BDO. The following reports have been issued for this financial year:

Issued in final by BDO

- Policies and Procedures
- Creditors
- Scheme of Delegation
- Target Operating Model
- Budget Management.

Issued in final by the Internal Audit Shared Service

- Organisational Governance (Functions of the Board).

Issued in draft by BDO and awaiting management response

- Cyber Security Essentials
- Placements Contract Management
- CareFirst
- Social Care Transport.

We have detailed the opinions of each report and key findings on pages 5 - 10. Our internal audit work was completed over the 6-month period from 1 February 2022 to 11 August 2022 and was carried out in accordance with the internal audit plan agreed and approved between the Internal Audit Shared Service, Trust management and the Finance, Resources and Audit Committee. BDO had no input in the development of the 2021/22 audit plan for the Trust. There were no restrictions placed upon the scope of our audit work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Trust, through the Finance, Resources and Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm and the Internal Audit Shared Service. It also summarises the activities of internal audit for the period. The basis for forming our opinion is as follows:

- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year
- This assessment has taken account of the relative materiality of these areas and management's

progress and willingness in respect of addressing control weaknesses; and

- Any reliance that is being placed upon third party assurances.

Overall, we are able to provide **moderate** assurance that there is a sound system of internal control, designed to meet the Trust's objectives and that controls are being applied consistently. In forming our view, we have taken into account that:

- For the year 2021/22, 10 audit reports have so far been issued in final or draft. Of these reports, six relate to processes or services that are owned by NCT (Policies and Procedures, Scheme of Delegation, Target Operating Model, Budget Management, Organisational Governance and Placements Contract Management). The remaining four are services that are provided to NCT by WNC or NNC via the service contract (Creditors, Cyber Security Essentials, CareFirst and Social Care Transport)
- Of the six audits that relate to processes owned by NCT, all six were given either good or satisfactory assurance for both adequacy of system (Good: 4, Satisfactory: 2) and compliance (Good: 4, Satisfactory: 2)
- Of the six audits that relate to processes owned by NCT, none were judged to have a major organisational impact (Moderate: 4, Minor: 2)
- Of the four audits that relate to services provided to NCT via the service contract, one received substantial assurance for adequacy of system (creditors). However, the remaining three received limited assurance for either adequacy of system (CareFirst) or compliance (Social Care Transport), or in one case for both (Cyber Security Essentials)
- Whilst 18 essential and 25 important recommendations have been raised across all reports issued in final or draft, management and officers have demonstrated high levels of engagement and a willingness to take action to improve the adequacy of controls and compliance with those controls. This is evidenced with regard to the CareFirst report, where management are already engaging in discussions with the Council about replacing the CareFirst system, and with the Social Care Transport service which is a high priority area for the Council
- Our experience attending two NCT Finance, Resources and Audit Committees has evidenced a strong committee that questions and holds to account management and the internal audit service on the reports being presented. However, if we were engaged with providing the internal audit service to the Trust from the start of the year, we would also be conducting follow up of audit recommendations to confirm they have been implemented, which is a vital part of the internal audit process. This has not been part of our engagement to date and is not something we have witnessed taking place. We therefore cannot give a view on the completeness of implementing audit actions, meaning it does not form part of our annual opinion
- External audit have highlighted to us the high level of engagement they have had with NCT's senior management and their willingness to support the audit process. These discussions did not highlight any areas of significant or unmanaged risk which might impact the level of assurance we could provide
- In June 2019, prior to the formation of Northamptonshire Children's Trust, children's services at Northamptonshire County Council were assessed as inadequate by Ofsted. Since this assessment, there have been three visits to the authority, with the report from the latest visit being published in March 2021. This visit found the 'stable and committed senior leadership team is steadily achieving improvements in the quality of services for children in care'
- Our Target Operating Model audit found that reporting on operational performance takes place regularly each month against an established set of KPIs, as agreed with the Councils. The audit found that the Trust was largely meeting KPIs, or within the agreed tolerance for each indicator, and where KPIs were not met, commentary was provided to evidence the steps being taken to improve performance

-
- The Annual Report of the Service Delivery Contract between NCT and West and North Northamptonshire Councils shows that the Trust had an approximate £1m overspend for the 2021/22 financial year against a budget of £123m. This is mitigated by a carry forward reserve of £1m from the period November 2020 - March 2021, giving the Trust a balanced financial position for the period from when the Trust was formed to the end of March 2022
 - Overall, while there remain some gaps and risks, our work has concluded that NCT has generally been able to maintain reasonable controls, particularly given the infancy of the organisation and complex environment NCT finds itself in as a result of the formation of the two unitary councils and the disaggregation of services taking place across the unitaries
 - We were not appointed until February 2022 and delivered the work largely after the end of the financial year. Therefore, whilst we looked back at the year in question when completing our work, we were not in place throughout the year to observe the organisation. This places limitations on our knowledge of the organization and its culture over the period to which our work relates, and had we been in place during that period, our annual opinion may have been different. In forming our opinion we have taken account of work performed by the Shared Service but we take no responsibility for their work or the conclusions they reached.

REVIEW OF 2021/22 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)			Summary of Key Findings / Recommendations
	E	I	S	Adequacy of System	Compliance	Organisational Impact	
Issued in final by BDO							
Policies and Procedures	-	2	-	Satisfactory	Good	Moderate	<p>Policies and Procedures are a key aspect of good governance to help ensure that objectives and responsibilities are achieved, are lawful and timely and that public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.</p> <p>Overall out audit found that whilst there was good levels of compliance with the requirements of policies which were included within our sampling, we found there to be no systematic process for monitoring policies and ensuring they are reviewed and updated in a timely manner. This resulted in our assessment of satisfactory assurance for adequacy of system and good assurance for compliance, with a moderate organisational impact.</p> <p>We raised two important recommendations to improve how policies are monitored and updated within the Trust and to ensure that all policies are compliant with key legislations, such as GDPR requirements.</p>
Creditors	-	1	-	Substantial	Good	Minor	<p>The purpose of this audit was to provide assurance that accounts payable transactions are being processed in line with the SLA in place between the Trust and WNC, and that there are sufficient KPIs within the SLA and reporting on these KPIs to monitor performance of the service.</p> <p>Overall, our audit found that whilst there were robust procedures and controls embedded within the SLA to ensure timely and accurate payment to NCT's creditors, we identified one instance in our sample testing of 20 payments where the invoice was paid at a higher value to what was on the goods received note, with no evidence available which explained the discrepancy. This resulted in our assessment of substantial assurance for adequacy of system and good assurance for compliance, with a minor organisational impact.</p> <p>We raised one important recommendation to ensure that any discrepancies between</p>

							purchase orders, invoices and goods received notes are investigated and resolved prior to payment being made.
Scheme of Delegation	-	3	-	Good	Satisfactory	Moderate	<p>The Scheme of Delegation (SOD) should provide clear limits for individuals and committees' authority within the organisation. The purpose of this audit was to provide assurance that the SOD has been formally defined and is operating effectively.</p> <p>We found that whilst the SOD has been formally approved, there is no clear review process to ensure it is kept up to date. Whilst we did not identify any instances where individuals were approving outside of their delegated authority, our sample testing did find that operational processes performed by staff did not consistently agree with the processes recorded within the SOD. This resulted in our final assessment of good assurance for adequacy of system and satisfactory assurance for compliance, with a moderate organisational impact.</p> <p>We raised three important recommendations to implement a systematic review process to ensure the SOD is kept up to date, complete a one-off full review of the operational processes contained within the SOD to ensure they are appropriate and to provide training to staff to ensure they are following the processes accurately.</p>
Budget Management	-	2	-	Good	Good	Moderate	<p>Effective budget management ensures that available resources are prioritised appropriately to enable an organisation's objectives to be met. The purpose of this audit was to provide assurance that there are sufficient controls in place to set appropriate budgets and monitor performance against these budgets through the year.</p> <p>Our audit identified that overall budgets are being met and there is effective monitoring of performance against budgets. However, we found that budget holders are not consistently engaged in the budget setting process from the beginning and are not provided with a suitable level of training to enable them to effectively discharge their responsibilities for budgeting. This resulted in our final assessment of good assurance for adequacy of system and good assurance for compliance, with a moderate organisational impact.</p> <p>We raised two important recommendations to ensure that at the start of the annual budget setting process that all budget holders are engaged with and asked for their input, and that all of these budget holders are provided with more in-depth financial training.</p>
Issued in final by Internal Audit Shared Service							
Organisational Governance	-	1	4	Good	Good	Minor	The Trust is managed by an independent board of Executive and Non-Executive Directors, to ensure operational independence. The Board is the responsible body

(Functions of the Board)							<p>for the performance of the Trust in terms of delivering its legal and contractual obligations and achieving outcomes for children and young people in Northamptonshire. The purpose of this audit was to provide assurance over effectiveness of governance arrangements, as overseen by the Board.</p> <p>This audit found that whilst governance measures are largely robust and compliance with these measures was good, there was no terms of reference which brought together the duties of the Board, as documented in the articles of association and service delivery contract, together in one place. This, along with other minor findings identified during the audit, resulted in a final assessment of good assurance for adequacy of system and good assurance for compliance, with a minor organisational impact.</p> <p>One important recommendation was raised for the Board to develop and approve a comprehensive terms of reference which should set out all duties and responsibilities of the Board and be periodically reviewed.</p>
Issued in draft by BDO and awaiting management response (the ratings and summaries below may be subject to change following management response)							
Cyber Security Essentials	10	3	-	Limited	Limited	Major	<p>Information Technology (IT) systems enable the Council to provide its critical services to its customers and are used to collect, process and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues, have led to attackers targeting public organisations and may expose the Council to the risk of a cyber security attack. The purpose of this audit was to appraise the design and operational effectiveness of the Council's and Trust's cyber security arrangements in place for four out of 10 cyber security steps, specifically: Network Security, Malware Prevention, Mobile Working and Incident Management.</p> <p>Our audit identified a lack of documented policies and procedures to manage network security and define responsibilities. The Network Security Policy was in the early stages of development. Whilst there were technical controls in place to monitor and protect the network perimeter, and an anti-malware solution in place, we identified a number of key areas where controls could be further improved including unsupported systems, log monitoring and cyber incidents management.</p> <p>We also found discrepancies when reconciling the devices on Active Directory to the device listing from Trend Micro. There were several instances where key modules within Trend Micro were outdated, with not all systems being updated. Our review of the Active Directory device listing also noted several systems running Windows 7, Windows Server 2008 and XP which last had user activity between April 2021 - May 2022 and is no longer supported by Microsoft.</p> <p>This resulted in our final conclusion of limited assurance for adequacy of system and</p>

							<p>limited assurance for compliance, with a major organisational impact.</p> <p>We raised 10 essential and three important recommendations, which included but was not limited to ensuring the Network Security Policy is updated, establishing a Cyber Security Working Group, putting in place IT automatic updates for all windows clients, developing a remote working policy and regularly monitoring InTune to determine device compliance.</p>
Placements Contract Management	-	7	1	Satisfactory	Satisfactory	Moderate	<p>Children and young people may be put into a range of different residential settings including foster care and independent support accommodation. In these instances, individual placement agreements (IPAs) are established per child and include details of the contract including costs. The purpose of this audit was to provide assurance on the adequacy of arrangements for managing outcomes and monitoring costs of placement contracts.</p> <p>Our audit found that in all cases tested as part of our sample testing there was evidence of a best match form being completed and approval for the placement was provided in line with the scheme of delegation. However, we found that currently there is no placement review and approvals panel meeting to monitor placements, and there is no formal IPA or other documentation for in-house fostering placements to evidence consideration of placement details. There was also one missing IPA for an in-house residential placement and not all best match forms were signed by social workers to evidence their review. This resulted in our final assessment of satisfactory assurance for adequacy of system, and satisfactory assurance for compliance, with a moderate organisational impact.</p> <p>We raised seven important recommendations which included completing IPAs for in-house fostering placements as well as in-house residential placements, ensuring social workers sign all best match forms and implementing the Access and Resources Panel with responsibility to review the appropriateness of and approve placements.</p>
CareFirst	4	2	2	Limited	Satisfactory	Moderate	<p>CareFirst is a web based, multi modular Case Management system commonly used by the Council and Trust to record care arrangements, statutory interventions and related events pertaining to Social Care Service Users. In addition to case recording, CareFirst has functionalities which enable the Council and Trust to control payments to external care providers and the delivery of Services to meet assessed needs.</p> <p>The objective of this audit was to consider whether appropriate control is being exercised over the CareFirst system, including access rights, contingency planning, disaster recovery and data integrity and that interfaces to and from other systems are accurate and properly controlled.</p> <p>Our review found that for a sample of 10 users the security declaration and mandatory training for using the system had been completed Furthermore, data</p>

						<p>entry procedures are documented and available to users on SharePoint. Data input is also reviewed by senior officers before processing any payments.</p> <p>However, since the formation of WNC, NNC and NCT, the roles and responsibilities for system support management have not been clearly defined to ensure effective use of resources, and arrangements for user access are being duplicated with managers having to raise additional requests for new or leaving users. Leavers are also not being removed from the CareFirst system, with there being 1,116 users who have not logged in to the system, and some users who have not logged in for up to 3,877 days, dating back to 2011.</p> <p>There is also no documentation of business continuity or backup arrangements. There was previously a failover server but this is no longer in place due to cost pressures, meaning there is no recovery option and a clear point of failure on the system.</p> <p>Overall the system is outdated and not user friendly, and due to the age of the system there are limited improvements that can be made.</p> <p>This resulted in our final assessment of limited assurance for adequacy of system and satisfactory assurance for compliance, with a moderate organisational impact.</p> <p>We raised four essential and two important recommendations. These included but were not limited to putting in place a user access management process and removing all inappropriate users, putting in place a contingency plan for continuing essential activities in the event of a system failure and clarifying all roles and responsibilities in relation to the system. There is also the need to undertake a comprehensive review of the system to determine whether it can meet the needs of stakeholders, following which a plan should be put in place for the systems future.</p>
Social Care Transport	4	3	4	Satisfactory	Limited	<p>There is a statutory duty to provide travel arrangements for Children requiring it as part of their social care arrangements. The audit will seek to provide assurance that the Council has in place appropriate arrangements to commission transport with the safeguarding needs of children being a priority.</p> <p>Our testing identified that there are clearly documented transport policies and codes of conduct in place which highlight the responsibilities of stakeholders, including the controls that are in place to ensure the safeguarding of children, such as annual audits carried out on providers.</p> <p>However, our audit found non-compliance with these processes and controls, including non-completion of audits for some providers and inconsistently documented spot checks.</p> <p>This resulted in our final assessment of satisfactory assurance for adequacy of</p>

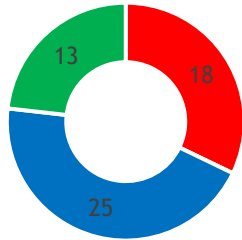
							<p>system, and limited assurance for compliance, with a major organisational impact.</p> <p>We raised four essential and three important findings, which includes making sure that any actions required of providers that are identified during audits are followed up to confirm completion, ensuring that annual audits are completed for all providers, and agreeing a set of management KPIs that should be reported on a monthly basis to service management to monitor performance of the service.</p>
Target Operating Model	-	1	2	Good	Good	Minor	<p>Performance monitoring requires timely and accurate reporting of information to assess the Trust's performance against local and national indicators. The purpose of this audit was to provide assurance the performance management processes in place are sufficient to provide accurate, timely and reliable assurance to senior management and the Board.</p> <p>Our audit identified that whilst there is a service contract which details local and national indicators that should be reported against monthly, the contract has not been subject to its annual review to confirm these indicators and reporting processes are up to date. Furthermore, whilst there is an agreed process for preparing KPI reports, these are not documented and are the responsibility of a single individual, which could present an issue if the individual involved leaves unexpectedly. This resulted in our final assessment of good assurance for adequacy of system and good assurance for compliance, with a minor organisational impact.</p> <p>We raised one important recommendation to ensure that the service delivery contract is reviewed and updated where necessary.</p>

SUMMARY OF FINDINGS

RECOMMENDATIONS AND ASSURANCE DASHBOARD

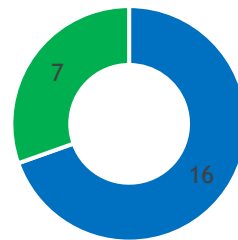
Recommendations 2021/22

Recommendations across all audit reports



■ Essential ■ Important ■ Standard

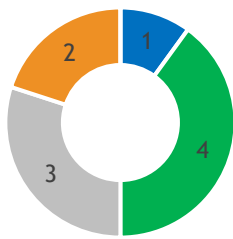
Recommendations for Trust specific reports (six reports)



■ Essential ■ Important ■ Standard

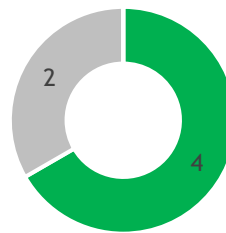
Adequacy of System 2021/22

Adequacy of system assurance across all reports



■ Substantial ■ Good ■ Satisfactory ■ Limited

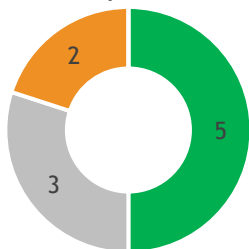
Adequacy of system assurance across Trust specific reports (six reports)



■ Good ■ Satisfactory

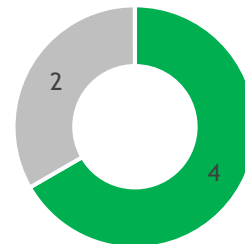
Compliance 2021/22

Compliance assurance across all reports



■ Good ■ Satisfactory ■ Limited

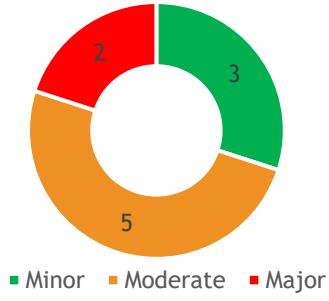
Compliance assurance for Trust specific reports (six reports)



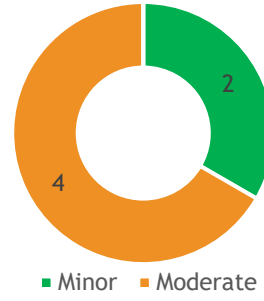
■ Good ■ Satisfactory

Organisational Impact
2021/22

Organisational impact across all reports



Organisational impact across Trust specific reports (six reports)



ADDED VALUE



USE OF SPECIALISTS

We undertook two IT reviews this year (Cyber Security and CareFirst) and deployed an IT specialist to undertake the work.



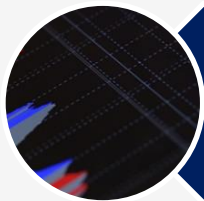
RESPONSIVENESS

We ensured we were responsive to the Trust's needs by amending timelines and being receptive of requests for additional services, such as the provision of the annual audit opinion.



BEST PRACTICE

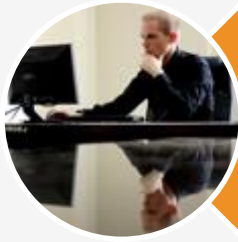
All audit findings and recommendations take in to consideration best practice identified from previous reviews across our client base, and where appropriate we share specific examples of this best practice, such as in the Social Care Transport report.



INNOVATION

As noted above, we utilised our audit days to ensure areas of highest risk were covered. Additionally, we undertook data analytics where possible including in Creditors and Payroll.

KEY THEMES



PEOPLE

The Trust welcomed internal audit and largely provided us with time and support during our reviews. However, finance training for budget holders could be improved as stated in the Budget Management report.



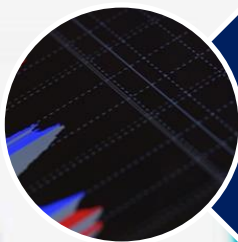
SYSTEMS & PROCESSES

Whilst we identified that the systems and processes were largely operating effectively, there were some areas for improvement such as the compliance with the documented procedures within the Scheme of Delegation.



POLICES & PROCEDURES

Overall, policies and procedures were in place. However, there was limited tracking and monitoring of these policies to ensure they are kept up to date.



GOVERNANCE & FOLLOW UP

Governance processes were largely robust with formal reporting lines established. This will be important in ensuring audit actions are implemented on a timely basis.

However, to be fully effective it is important to hold Internal Audit to account and obtain further insights in to the quality of their work. Whilst this year the audits were delivered in a short space of time and the focus was on completing audits, moving forwards it would be important to establish KPIs for the audit service to monitor performance.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Northamptonshire Children's Trust is to provide an opinion to the Board, through the Finance, Resources and Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 6-month period from 1 February to 11 August 2022 was carried out in accordance with the internal audit plan approved by the Internal Audit Shared Service and the Finance, Resources and Audit Committee. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as co-sourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Northamptonshire Children's Trust to manage risks in business areas identified by management set out in the 2021-22 Internal Audit Annual Plan approved by the Internal Audit Shared Service and Finance, Resources and Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Northamptonshire Children's Trust management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 4 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Finance, Resources and Audit Committee is to agree reports with management and then present and discuss the matters arising at the Finance, Resources and Audit Committee.

Management actions on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports. For the reports that have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

Relationship with external audit

All our final reports are available to the external auditors through the Finance, Resources and Audit Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to Northamptonshire Children's Trust

As the co-sourced internal auditors of Northamptonshire Children's Trust, we are required to provide the Finance, Resources and Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Northamptonshire Children's Trust with Moderate Assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2021-22
- Whether any significant recommendations have not been accepted by management and the consequent risks
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work
- The risks external audit have identified through their testing and the engagement they have received from directors at the Trust.



APPENDIX I

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Adequacy of System Opinion	Findings	Compliance Opinion	Findings
Substantial	There are minimal control weaknesses that present very low risk to the control environment.	There is a sound system of internal control designed to achieve system objectives.	The control environment has substantially operated as intended with no notable errors detected.	The controls that are in place are being consistently applied.
Good	There are minor control weaknesses that present low risk to the control environment.	Largely a sound system of internal control designed to achieve system objectives with limited exceptions.	The control environment has largely operated as intended although some errors have been detected.	Evidence of limited non-compliance with a limited number of controls that may put some system objectives at a low level of risk.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	The control environment has mainly operated as intended although errors have been detected.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited	There are significant control weaknesses that present a high risk to the control environment.	System of internal controls is weakened with system objectives at risk of not being achieved.	The control environment has not operated as intended. Significant errors have been detected.	Non-compliance with key procedures and controls places the system objectives at risk.
No	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	Poor system of internal control.	The control environment has fundamentally broken down and is open to significant error or abuse.	Non-compliance and/or compliance with inadequate controls.

ORGANISATIONAL IMPACT DEFINITION

Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

RECOMMENDATION SIGNIFICANCE DEFINITION

Essential	Action is imperative to ensure that the objectives for the area under review are met.
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Standard	Action recommended to enhance control or improve operational efficiency.

FOR MORE INFORMATION:

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